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Exploring Decentralisation in Canada: Devolution of Labour Market Policy

Erin Gray

Submitted to the University of Wales in fulfilment of the requirements for the
Degree of Doctor of Philosophy

University of Wales Swansea

2003

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SUMMARY

This thesis entails the study of both why and how decentralisation of government authority takes place. Decentralisation in Canada is explored by investigating a federal proposal for the devolution of active labour market policies from federal to provincial governments, and by closely examining the positions taken by both levels of government during the development of two federal-provincial labour market agreements in the mid-1990s. The two bilateral agreements chosen for this examination are, the Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships, and the Canada-Alberta Labour Market Development Agreement.

The central focus of this research is to examine the extent to which federal and provincial governments' positions on the devolution of policy are influenced by 'political' and 'public' interests. The first argument holds that political imperatives influence governmental priorities, attitudes, and motivations as decisions about devolution are made. The second argument maintains that governmental positions on devolution are founded on the motivation to promote the best outcomes for the public at large.

This study employs a research focus that is qualitative in nature, and it draws from interpretive and constructivist approaches to inquiry. Interviews were conducted with civil servants who represent federal and provincial interests in the provinces of Alberta and Nova Scotia. A comparative analysis of the evidence found that both political and public interests influenced federal and provincial positions on devolution. This research illustrates that while political and public interests might be separated analytically, in real cases of policy-making they overlap. Nonetheless, the evidence tips the scales towards a political interest explanation much more clearly and convincingly than a public interest interpretation.

DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed.....(candidate)

Date.....September 22, 2003.....

STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated.

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STATEMENT 2

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Date.....September 22, 2003.....

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I would like to offer my appreciation to those individuals who supported my efforts while undertaking this thesis. To begin, I would like to acknowledge the significant contributions of the research respondents who volunteered their time, observations, opinions and expertise. Their willingness to participate allowed for an in-depth exploration of the subject matter.

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Decentralisation and Devolution in Canada

Introduction

This thesis attempts to contribute to the development of theory related to the concept of decentralisation. The rationale for the focus of this thesis is grounded in existing theoretical challenges and contemporary political circumstances concerning decentralisation. First, decentralisation is an ambiguous concept. Thomas (1994) notes the absence of agreement regarding a universal definition of decentralisation, and Noël (1999) suggests that the concept is vulnerable to multiple interpretations. Second, a broad range of opinions exists as to the relative merits of decentralisation. Decentralisation may be perceived as a strategy to avoid or offload responsibility (Lazar et al., 1992) and as a means to enhance autonomy of peripheral governments (Courchene, 1996).

Further, it is argued that it might lead to the realisation of greater sensitivity to locality and democracy (Benz, 1987); while others are concerned that it may impede democracy (Gibbins, 1997a; Keating, 1999). In addition, decentralisation is touted as a means to increase economic efficiency and experimentation, which is valued because it can lead to innovation (Richards, 1996) and to better-targeted policies (Schwanen, 1996).

These divergent positions may hold important implications for the adoption or avoidance of decentralisation. It is certainly feasible that governments' particular circumstances and opinions about potential problems and merits of decentralisation, have been affected by history, and could result in a range of positions on the promotion or

avoidance of decentralisation. In other words, views on relative costs and benefits of decentralisation may be dependent upon governments' historical experiences, and unique characteristics and circumstances. Through case study examinations of decentralisation, this thesis will illustrate these arguments and will test related theoretical concepts.

This chapter will establish the subject of the thesis and the central research questions to be investigated. The rationale of the study will be presented and the arguments examined in the study will be outlined. In addition, the case study will be introduced, and the substance and purpose of each chapter will be reviewed.

Focus of the study

Governments are responsible for making decisions about whether or not to encourage decentralisation. The central focus of this research is to examine the influences on such decisions, and entails the study of both why and how decentralisation of government authority takes place. These influences affect the structure and result of decentralisation. For example, some forms of decentralisation are advocated by the centre in order to monitor the activities of peripheral governments (Lindquist, 1994). Decentralisation and devolution will be discussed in detail in Chapter 3.

This thesis explores decentralisation in Canada by investigating the devolution of labour market policy from federal to provincial governments in the mid- 1990s. In this thesis, decentralisation is understood as the transfer of responsibility and authority from central or national governments to peripheral or sub-national governments. Several types of decentralisation exist, including administrative decentralisation. With reference to the case study examined in the thesis, devolution is perceived as a type of administrative

decentralisation, whereby federal government authority and responsibility, including decision-making, programme design, implementation powers, and finances are devolved to provincial governments (Rondinelli, 1999). As illustrated by the case study, devolution is the means by which decentralisation is realised and executed.

Research questions

This thesis examines the influences on decisions made about the devolution of labour market policies by federal and provincial governments in Canada in the mid- 1990s. The main question that concerns the thesis is: What influences federal and provincial governments' decisions about devolution? More specifically, to what extent are federal and provincial governments' positions on the devolution of policy influenced by political interests and to what extent are they influenced by public interests? Are decisions about devolution primarily driven by political imperatives that maintain or increase federal and provincial governments' power, official status, jurisdiction, and authority, or are these decisions based on promoting perceptions of what is best for citizens and the public at large?

From this main focus of inquiry follow other corresponding research questions to be examined in this thesis:

1. How do federal and provincial positions on devolution compare with each other?
2. Are federal and provincial positions on devolution driven by similar motivations and priorities, or are their respective positions influenced by circumstances unique to federal and provincial governments?

3. Under what conditions will provincial governments either encourage or avoid devolution?
4. Given the opportunity to receive greater powers and responsibility associated with devolution, how do different provincial governments respond, and what influences these responses?

It is expected that divergent federal and provincial points of view will allow for a wide range of possible influences on positions concerning devolution. Further, given different experiences of federalism, it is unlikely that all provincial governments will react in a similar way to proposals for devolved responsibility. Chapter 4 will address issues related to the methodology of the research at length.

Case study: Labour market development agreements

This research examines a case study of devolution to answer these questions and to address some of the theoretical assumptions and positions asserted in the literature. The case study for the research involves a federal proposal to devolve federal responsibility for active labour market policies to provincial governments in the country of Canada.

The purpose of choosing to study the devolution of labour market policy is supported by the fact that this policy sector is relatively centralised in Canada, as the federal government maintains exclusive legislative control of employment policy under the Employment Insurance Act (1996). In contrast to this, and as will be discussed later in this thesis, Canada is representative of a relatively decentralised federation. Moreover, provinces that desire greater autonomy in this policy area challenge the notion that labour market training policy falls under exclusive federal jurisdiction. Therefore, it is suggested

that the choice to study labour market policy will provide the opportunity to observe various dynamics pertaining to devolution in the federal state of Canada.

The time frame of the research is placed in the early to late 1990s, a period marked by particular challenges to status quo federalism. During this time period, the federal government faced formidable provincial pressures that brought into question the centralised federal authority to represent the interests of all Canadians. In 1996, following many years of provincial discontent, the federal government of Canada offered to transfer federal jurisdiction over labour market training to provinces and territories.¹

The bilateral labour market agreements, which were negotiated with most provinces by 2000, differ markedly with respect to the extent of responsibility devolved to provincial authorities. Not all provinces accepted the proposal for devolution, and therefore, this labour market policy example is particularly valuable as a test of the research questions. With the key questions as outlined above in mind, the study investigates the initiative to devolve the noted labour market policies by closely examining two federal-provincial labour market agreements. The two federal-provincial agreements chosen for this examination are, the Canada-Nova Scotia and Canada-Alberta Labour Market Development Agreements.

Nova Scotia and Alberta represent contrasting provincial experiences within Canada. Nova Scotia has a smaller population, a much higher rate of unemployment, and is significantly less financially independent from federal income transfers, as compared to the province of Alberta. Alberta is one of the wealthiest provinces, and it has one of the

¹For the sake of both simplicity and convenience the words ‘provinces’ and ‘provincial’ will include ‘territories’ and ‘territorial’.

lowest unemployment rates in Canada. Given these provinces' unique conditions and experiences within Canadian federalism, it is speculated that a comparison may offer insights regarding potentially divergent positions on devolution and the particular influences and circumstances that lead to these positions. Chapters 5, 6, and 7 will examine the influences of decisions made about the case study of devolution by the federal, Alberta, and Nova Scotia governments, respectively.

Main thesis: Political interest and public interest arguments

The main thesis of this research is that the devolution of governmental power and authority, as illustrated by this policy case study in Canada, is driven primarily by political interests, and that other pressures- for instance those of public interest- are secondary.

As a result of the preceding rationale and research questions, two arguments will be examined in this thesis, and as such will provide the framework for the study. Primary and secondary data will be used to explore two distinguishable, yet not necessarily mutually exclusive arguments. This thesis examines federal and provincial influences on decisions made about devolving labour market policy from the perspectives of both 'political interest' and 'public interest' arguments.

The first main argument is that when considering the potential devolution of policy, federal and provincial governments' positions are influenced primarily by political imperatives. These political imperatives affect the priorities, attitudes, and general positions of governments' as they make decisions about devolution. In short, governmental behaviour is primarily motivated by self-preservation. The political

interest argument is based on the assumption that all governments are primarily concerned with retaining power and seeking greater political scope (Cairns, 1988).

The second main argument is that federal and provincial governments' positions on devolution are based on the rationale to advance the public interest. Decisions about devolution are founded on the desire to promote the best outcomes for citizens. In the weighing of competing interests, including political interests, governments are primarily influenced by what is best for the public at large.

As will be discussed at length in the method's chapter (Chapter 4), it is acknowledged that social science cannot prove anything beyond doubt. This thesis rigorously tests the supposition that political interests influence federal and provincial governments' positions on devolution by giving full weight to other explanations. Evidence that contradicts the main thesis will be examined to determine whether or not political interest considerations offer the most convincing explanation for federal and provincial governments' decisions.

While this thesis argues that political interests supersede public interests as governments make decisions about devolution, it is recognised that distinguishing between these two hypotheses is somewhat artificial, and that significant overlap exists between them. Political interest and public interest arguments are distinct, yet they may be used to justify each other. For example, governments might advocate for devolution, and corresponding autonomy and responsibility to design policies that are perceived as extending the public interest. Although governments may be influenced by both political interests and public interests, one may take precedence over the other. Thus, this thesis

will examine primary and secondary evidence in an effort to reveal which influence is most salient.

Thesis overview

Prior to concluding this chapter, an overview of this thesis will be presented. As will be argued throughout this thesis, it is necessary to understand federal and provincial governments' preferences regarding devolution in light of historical and contemporary circumstances. Therefore, most chapters will discuss the relevance of particular historical events and circumstances with respect to this study's main thesis. The earlier chapters will examine pertinent theoretical concepts and background information that will set the context for the latter chapters that deal more specifically with the case study.

The first section of Chapter 2 will examine the theoretical concepts related to the political interest and public interest arguments. An understanding of federalism in the Canadian context will be reviewed in the latter sections of the chapter. This examination will include a brief historical account of the factors leading up to federation, and the circumstances that continue to affect the debate about the contemporary federal system in Canada.

This is viewed as essential material to address because the extent of decentralisation and devolution are largely determined by the principles of federalism. Furthermore, several challenges to status quo federalism have served as instigators of reforms taking place during the time period of this study. Although these pressures will be dealt with in greater detail in Chapter 5, a general knowledge of Canadian federalism

provides important descriptive and contextual information needed when examining the circumstances related to the case study.

While Chapter 2 examines relevant theory and context for Canadian federalism, Chapter 3 will offer a theoretical explication of decentralisation by examining definitions and various interpretations of the concept. The chapter will distinguish among terms such as decentralisation, devolution, centralisation, and deconcentration. Attention is paid to this area because it will allow a more thorough analysis of the case study of devolution explored in the three case study chapters. How decentralisation might be measured is a subject discussed in Chapter 3, and this will lead to an assessment of the extent to which Canada is a decentralised federal state. Also examined, is the extent of decentralisation in Canada in comparison with other federal systems.

Further, Chapter 3 will examine the debate about the relative merits of decentralisation and devolution. This discussion is offered to gain insight about why federal and provincial governments might encourage or avoid devolution. The final section of the chapter will review the case study of devolution explored in this thesis. For example, the range of choices available to provinces and some of the federal conditions of the proposal will be reviewed. The theory discussed earlier in the chapter will inform this review. Also, this overview will set the context for Chapter 5, which is the case study chapter that examines the political and public interest influences of the federal proposal to devolve labour market policies to provinces.

Chapter 4 will address the methodological considerations of the thesis. This study utilises a research focus that is qualitative in nature, and it draws from interpretive and constructivist approaches to inquiry. Interviews were conducted with twenty-four

respondents. Three elected officials were interviewed early in the study to provide background knowledge pertaining to the case study and to the motivations of governments in relation to devolution. The remaining twenty-one respondents are either federal or provincial civil servants representing federal and provincial jurisdictions of Alberta and Nova Scotia.

All respondents are knowledgeable about the federal proposal for devolution and the ensuing negotiations; and, most respondents were directly involved in negotiating the labour market agreements for their respective provinces. The interviews focused on federal and provincial perspectives about the rationale and content of the federal proposal to devolve labour market policies, and federal and provincial perceptions about priorities, and positions on devolution. The primary data consists of three data sets: (a) Federal civil servants (b) Alberta provincial civil servants, and (c) Nova Scotia provincial civil servants.

Chapter 4 reviews issues related to methodology including the case study approach, field research, and sampling and recruitment strategies. This chapter describes the instrument used and procedures followed to collect data. The rationale and process of collecting both primary and secondary data will be discussed, as will issues related to informed consent and other ethical considerations. This chapter will discuss the limitations and challenges of the research.

Chapters 5, 6 and 7 examine the case study from the perspectives of the Canadian federal government, and the two provincial governments of Alberta and Nova Scotia, respectively. Each of the three case study chapters employs both primary and secondary data sources. In Chapter 5, the rationale and specifics of the federal proposal are

examined, with special attention paid to the pressures faced by the federal government during this time period. As mentioned already, federalism faced particular challenges to status quo arrangements between the two levels of government. The primary purpose of Chapter 5 is to examine the rationale of the federal offer as interpreted by federal and provincial civil servants involved in the process. It will be interesting to compare federal and provincial descriptions, as all three data sets represent very different constituents with divergent histories that have contributed to differing experiences of federalism.

Chapters 6 and 7 will examine the positions of Alberta and Nova Scotia concerning the decision to devolve federal labour market policies. These two case study chapters evaluate the potential influences of the provincial positions on devolution, and the type of agreement preferred by Nova Scotia and Alberta, respectively. Attention is paid to provincial characteristics, historical experiences, attitudes, and priorities that might lead to the decisions made about devolution.

In Chapter 8, a comparative analysis of the evidence will be provided to answer the questions posed by this study. This chapter will compare and contrast each government's position on devolution, and will evaluate the extent to which these positions were influenced by political interests and public interests.

Chapter 9 is the concluding chapter, and it will review the investigation undertaken by this research and it will summarise the central findings of this thesis. The relevance of the main findings for divergent interpretations of 'provincial rights' will be discussed. In addition, this concluding chapter will offer a brief comparative of Canadian devolution and devolution as it has recently unfolded in the United Kingdom.

This chapter reviewed the rationale of the study, the central research questions to be investigated, and the main thesis that drives this research. The main thesis of this research is that the devolution of governmental power and authority, as illustrated by the Canadian case study, is driven primarily by political interests, and that public interest influences are subordinate. The case study under consideration in this thesis involves the federal government proposal made in 1996 to devolve labour market policies to provinces. This chapter highlighted the issues that will be examined by this research. Also, this chapter presented an overview of this thesis and the primary purpose of each chapter.

Federalism in Canada: Implications for Decentralisation and Devolution

Introduction

As reviewed in the introductory chapter, this thesis examines the political and public interest influences on federal and provincial governments' decisions concerning the federal proposal to devolve labour market policy to provinces in 1996. A main purpose of this chapter is to discuss in greater detail the theory underlying the political and public interest arguments explored in this thesis.

The second central purpose of this chapter is to explore the significance of federalism for this thesis. To appreciate Canadian governments' perspectives concerning decentralisation and devolution, an understanding of federalism in the Canadian context is necessary. The early beginnings and development of Canadian federalism will be addressed and the tension between federal and provincial perspectives concerning these developments will be highlighted. As will be argued in Chapter 5, challenges to status quo federalism provide, in part, the rationale for the proposal of devolution examined in this thesis. Therefore, knowledge of Canadian federalism will provide important descriptive and contextual information needed when examining these challenges.

First, this chapter will elaborate on the theoretical foundations of the political and public interest arguments. Next, the chapter will provide an overview of the features common to most federal systems, and it will make reference to Canadian federalism specifically. A brief comparison will be made between federal and unitary states in order

to further distinguish the general features of federalism. The latter part of the chapter will discuss some of the distinctive features of Canadian federalism. Included in this discussion are the challenges to federalism that are relevant to this thesis. The main points made in this chapter will be summarised in the chapter conclusion.

Political and public interest theory

Broadly, this research examines whether governments' positions reflect primarily political or public interests. This inquiry is pursued with the acknowledgement that probably most government decisions are, at least to some degree, based on realising both political and public interests. As discussed in Chapter 1, it is recognised that an unambiguous separation of the two potential influences is somewhat artificial, and in reality impossible to achieve.

This research does not attempt to prove beyond doubt, the superiority of one argument over the other. Rather, these different hypotheses offer a framework from which to examine the influences of federal and provincial governments' decisions regarding devolution. The case studies investigated concern the federal proposal for labour market devolution, and provincial responses from Alberta and Nova Scotia.

Political interest

The federal government's decision to make the proposal for devolution and the ensuing provincial responses, are examined by the first hypothesis that is called, throughout the thesis, the 'political interest argument'. The political interest argument is informed by a number of theories in the political science and public administrative literature. The

founding principles of the political interest argument can be outlined in three related, yet distinct points.

To begin, this argument asserts that governments seek power and are self-interested. Secondly, different levels of government vie for power, and this can be observed in intergovernmental relations in general, and by the competition between national and provincial interests. Thirdly, this competition is largely influenced by regional diversity, and differential economic and power distribution across provinces in the federal state. Theoretical concepts related to these three principles will now be discussed.

Governments are self-interested and seek to justify their existence to the electorate (Cairns, 1988; Jackson and Jackson, 2001). Moreover, government decisions are based on the motivation to gain or maintain official political status. To this end, governments assert positions that extend their reach and increase their power.

Public choice theory is relevant to the political interest argument. The roots of public choice theory are grounded in classical liberal economics. Thereby, the theory holds that the maximisation of self-interest largely determines all political behaviour, including how citizens vote, and the decisions made by politicians and civil servants (Kernaghan and Siegel, 1991; Jackson and Jackson, 2001; Dyck, 2000). According to public choice theory, governmental positions are mainly influenced by interests that benefit politicians and civil servants as opposed to being influenced by any general sense of serving the public good (Jackson and Jackson, 2001). For example, Kernaghan and Siegel (1991: 121) assert that public choice theorists contend that the motivation to

acquire or retain power 'leads politicians who want to be elected to espouse policies that will please voters'.

Following this theoretical stance, the political interest argument in this thesis assumes that decisions made by governments are informed by rational analyses that seek to maximise political gains and minimise political losses. However, as noted by Jackson and Jackson (2001), public choice theory focuses more on:

the process of policy-making *inside* government than with the wider relationship *between* government and its socioeconomic environment or broader questions of the distribution of power, ideas and institutions.

(Jackson and Jackson, 2001: 510, italics used in original text)

Public choice theory is criticised for being too narrow in focus, and thus, it does not provide a comprehensive enough explanation for political behaviour. It is necessary for the political interest argument in this thesis to draw from additional theoretical concepts, to incorporate explanations for relations between orders of governments, and the influence of broader socioeconomic factors.

Similar to public choice theory, state-centred theory supports the assertion that governments are self-interested, and it encompasses an understanding about political behaviour and the promotion of the public good (Dyck, 2000). However, state-centred theory broadens the political interest argument by incorporating the dynamic of federal-provincial competition.

To begin, state-centred theory sees civil servants and politicians as acting autonomously from public preferences. Dyck (2000) argues that instead of being guided

by public demands, or broad public consensus of the public interest, governmental authorities make decisions that are driven by their independent interpretation of what is best for society.

Further, state-centred theory is relevant to the political interest argument to the extent that federal and provincial politicians and civil servants are perceived as competing with each other to extend their own interests. Dyck (2000) holds that state-centred theory conceptualises the dynamics of nation-building as pitted against the drive towards province-building, and the other way round. For example, Dyck (2000) states:

Federal authorities argue for federal jurisdiction, revenue, conditions, standards, and controls, while provincial authorities fight for maximum provincial revenue, flexibility, and freedom. (Dyck, 2000: 422-423)

According to Simeon (1972: 185), relations between the two levels of government are affected by the fact that ‘federal and provincial governments compete to gain credit, status and importance, and to avoid discredit and blame’. As devolution has implications for shifts in governmental authority and power, conceptualisations of competition between levels of government are pertinent for this thesis. According to Black and Cairns (1971), since the inception of the Canadian Confederation in 1867, province-building and nation-building have evolved along side each other. Cairns (1988) holds that ever since Confederation, both federal and provincial levels of successive governments have focused their greatest attention on remaining in power and extending their political reach.

In Canada, there exists a federal-provincial governmental friction exemplified by the fact that provincial governments claim to represent communities within the bounds of

their governance, and the federal government claims to represent all Canadians (Cairns, 1988). Therefore, conflict abounds, and as noted by Cairns (1988):

In the dialectical process of federal-provincial controversies, the claims of provincial governments encounter the rival claims of the central government with its constitutional authority to speak for all Canadians...The political incentives for the federal government to couch its claims in the language of individual citizen rights and obligations engender a direct conflict with provincial claims on behalf of territorially-based communities, the reconciliation of which is worked out in the federal process.
(Cairns, 1988: 113)

In relation to this, provincial and federal governments are influenced and inhibited by political history. Here, Cairns (1988) offers the example of how no provincial leader in Quebec would ever publicly doubt the Quebec government's responsibility to advocate French Canadians' rights. The supposition that governments are affected and constrained by political history has relevance for this thesis. In the provincial case study chapters it will be argued that historical experiences have contributed to Alberta and Nova Scotia's responses to devolution.

With regards to province-building, Black and Cairns (1971: 95) point to the influence of business, political, and administrative provincial political elite's in providing 'incentives and supports for the expansion of provincial power against that of the federal government'. In the federal-provincial struggle, provinces seek to protect jurisdictional capacity and to expand their reach to ensure that long-term self interests are safeguarded (Hueglin, 1990; Dunn, 2001; Brooks, 2000).

Further, over the last three decades, and, in part as a result of the growing sentiment of Quebec independence, there has been a shift to greater 'power seeking'

among both levels of government (Cairns, 1988: 113). As will be addressed in greater detail in Chapter 5, the provincial position has strengthened through the ‘deliberate improvement of their own bureaucratic power and capacity’ and the provinces have become less tolerant of the centralised power of the federal government (Cairns, 1988: 114).

For Hueglin (1990), province-building tends to focus on furthering provincial political objectives as opposed to enhancing public interests. Hueglin (1990: 31) describes province-building as ‘a self-aggrandizing dynamic of governments to promote their agendas, not those of the provincial populations they represent’.

Additionally, the contest between province-building and nation-building is conceptualised in the notion of competitive federalism. As Robinson and Simeon (1999) state, competitive federalism is typified by:

interregional and intergovernmental conflict, strong pressures for decentralization, and expansion by both levels of government into new policy fields in a form of “competitive expansionism”...and increasing efforts by both levels of government to mobilize their populations around competing images of federalism and how it should work.
(Robinson and Simeon, 1999: 251-252)

In Canada, provincial resistance of federal authority, and federal-provincial competition in general, is well documented (Cairns, 1988; Duquette, 1995; Simeon, 2001). Moreover, there is divergence among federal and provincial interpretations of the constitution with respect to which government can justly claim jurisdiction over various issues. Throughout the 20th century, areas of jurisdictional division between levels of government have been disputed including, for example, labour market policy (Haddow,

1995; Bakvis, 1996; Noël, 1999; Lazar, 2002). and health policy (Cohn, 1996; Maioni, 1999, Lindquist, 1999).

Furthermore, the theoretical concept of regionalism is related to the political interest argument, as it, in part, provides an explanation for intergovernmental divisiveness. Regionalism infers an understanding of territorially distinct communities that are differentiated from other communities predicated on ethnicity, economics, religion or language. Further, the inhabitants of regions are aware of being a part of that territory and distinct from other communities (Olling and Westmacott, 1988). Since it tends to accentuate dissimilarities among regions, regionalism is sometimes considered to impede nation-building (Jackson and Jackson, 2001). As mentioned earlier, regional tensions have grown in Canada since the 1960s, resulting in increasing discord among provinces, and among provinces and the federal government (Kernaghan and Siegel, 1991).

Conflict arises when the federal government institutes policies and programmes that are perceived from a regional vantage point as disadvantageous for provinces within that region. Hence, sometimes, the priorities of nation-building serve to disadvantage regional interests in Canada. For example, Brodie, (1990) and Bickerton (1990) hold that federal attempts to establish a healthy national economy have privileged business in central Canada, and have therefore constrained economic interests in outlying regions. Regionalism and province-building go hand in hand, as the former can result in the latter, to counter national interest pressures that are perceived as limiting regional interests.

In this thesis, the province of Alberta represents regional interests stemming from western Canada, and Nova Scotia is representative of the Atlantic Canadian region.

Regional interests have clashed with the national interest from time to time in Canadian history. Historical and contemporary examples that exemplify intergovernmental tension and federal-provincial discord over the distribution of power across jurisdictions will be reviewed in this thesis.

Historical examples that will be addressed include, Alberta's opposition to federal authority over natural resources in the early 20th century, and the federally driven National Energy Programme in the 1980s. Historical examples from an Atlantic Canada perspective include Nova Scotia's disappointment with federal stewardship over the National Policy in the early 20th century, and regional development programmes initiated in the 1960s. These historical examinations will complement the contemporary analysis of the federal proposal for devolving labour market policies to the provincial level, and the ensuing responses from these two provinces.

Public interest

The second hypothesis asserts that federal and provincial governments' positions on the devolution proposal are mainly influenced by concerns that are subsumed in this thesis, under the term 'public interest argument'.

Notably, the public interest is an elusive and oftentimes abstract concept, and there is a great deal of debate over how it should be defined (Kernaghan and Langford, 1990; Hodgetts, 1981; Hartle, 1979; Meyer, 1975; Held, 1970; Downs, 1967; Schubert, 1962). Hodgetts, (1981) claims that the idea of the public interest is:

slippery, mercurial and possessed of the qualities of the chameleon;
it is akin to the Holy Grail, in that its relevance for political life

may reside in the pursuit and anticipation rather than in the actual grasping or attainment of the reality it is supposed to represent. (Hodgetts, 1981: 218)

In response to the debate over whether the concept can be operationally defined or whether it defies a singular or common definition, some hold that it is preferable to view the public interest as having multiple meanings that correspond to multiple interests (Kernaghan and Langford, 1990; Schubert, 1962; Sorauf, 1962). In fact, Schubert (1962) challenges attempts to empirically investigate the influence of public interest as it relates to explanations of governmental decision-making. According to Schubert (1962), the diversity and elusiveness of the meaning of the public interest serves to thwart its viability as an explanation for governmental behaviour.

Kernaghan and Langford (1990) maintain that the viability of the public interest as a concept to inform or account for governmental decisions is refuted by public choice theorists. As discussed earlier, and as Kernaghan and Langford (1990: 37) state, ‘all political actors...act in a rational, self-interested manner’. Kernaghan and Langford (1990: 37) further note that contrary to those who support public choice theory, other political theorists see the public interest as a ‘viable’ and ‘valuable’ concept, and they ‘believe that the concept has important effects on the operation of political systems and the content of public policies’. For example, Cassinelli (1962: 46) holds that all political actions are subject to the scrutiny of the public interest– what is ‘good for the “public,”’ rather than good for only part of the public’.

Furthermore, Pennock (1962: 182, 178) proposes that the public interest ‘is a spur to conscience and to deliberation’ and he suggests that the concept sheds ‘much of its vagueness’ once it is understood within a particular context. Meyer (1975: 2, 133) asserts

that the concept of the public interest is necessary 'to understand the workings of public authority' and to understand the extent to which 'the existing authority structure' is 'satisfactory and workable'.

In response to the multitude of definitions of the public interest, Hartle (1979) delineates the various meanings into three groups. These groupings will be briefly reviewed with the intention of arriving at a refined understanding of the public interest from which to steer the analysis of the public interest argument in this thesis.

Hartle's (1979: 213) first group of definitions views the public interest as 'resulting from the aggregation, weighting and balancing of a number of special interests'. For example, government actions are said to be in the public interest if they give 'equal weight to the welfare of every member of society' (Noll, 1971: 15).

Kernaghan and Siegel (1991) note that viewing the public interest as a process of balancing divergent interests to reach an eventual compromise of interests, is a beneficial approach because it offers a level of specificity to guide political action. Yet, they caution that those groups or collectives who represent various interests are endowed with differential levels of power and resources to assert their positions. Kernaghan and Siegel (1991) state:

the interests of some segments of the population may not be represented because these segments are underprivileged, uneducated, uninformed, inarticulate, unorganized, underfunded, or simply uninterested.
(Kernaghan and Siegel, 1991: 330)

The second group of definitions addresses the ‘public interest in terms of the common or universal interests which all (or at least almost all) members of society/nation/political unit share’ (Hartle, 1979: 214). Barry (1962: 199) agrees that the public interest should be concerned with those interests that all citizens share, and in defence of universal interests he suggests that even ‘enemies’ have interests in common.

Noting Rousseau’s definition, Held (1970: 106) asserts that ‘if any given action or policy truly is in the public interest, it is, in his view, in the common interests of all individuals of the community’. Held (1970: 107) further notes that although, for Rousseau, a public interest is one that reflects ‘common individual interests’, he recognises that common interests do not ‘form the totality of all interests’. Therefore, while ‘valid’ individual interests exist, the ‘valid’ common interest outweighs the former (Held, 1970: 107).

Third, the public interest is defined from an idealist perspective. These definitions ‘judge alternative actions or policies in relation to some absolute standard of values – in some cases independently of the preferences of individual citizens’ (Hartle, 1979: 215). For example, according to Cassinelli (1962: 45, 51) ‘the public interest is a standard of goodness by which political acts can be judged’ and ‘when we interpret the public interest, we bind ourselves to a conception of the “good life”’.

Further, Kernaghan and Langford’s (1990: 39) ‘dominant value approach’ to decision making in the public interest, states that values such as ‘equality’ and ‘human dignity’ are used to discern whether government actions are deemed to be in the public interest. Taking a humanistic perspective, Dvorin and Simmons (1972) suggest the public

interest merit of governmental strategies is determined by the extent to which they realise human well-being and dignity.

In summary, thus far, the political interest argument assumes that when making decisions about the case study of devolution, federal and provincial governments are self-interested and are motivated to attain or maintain power and authority. It is presupposed that levels of governments compete for power. And, further, intergovernmental dynamics are affected by regional diversity and differential distribution of economic resources.

According to the public interest argument, governments are motivated primarily to meet the public interest, by, for example, expanding or maintaining the welfare of citizens. Therefore, in regards to the subject of this thesis, decisions about the devolution of labour market policy are influenced by governments' primary motivation to meet public interest. The process of encouraging the public interest can be seen as an attempt: (a) to balance divergent special public interests (b) to meet the common interests of societal members, and (c) judged according to some type of standard.

Historic overview of federalism in Canada

According to Gagnon (1995), the Canadian federal system is unique because it has been influenced by both American and European federalist traditions. In the case of the former, federalism reflects a tradition steeped in 'the one-nation concept', and in the corresponding hierarchical relations between national and sub-national units (Gagnon, 1995: 24). Gagnon (1995: 24) contrasts this with federal traditions in Europe 'which encourage the expression of many different political streams in the body politic'. These

two federalist traditions will become evident given a brief historical review of Canada's early years.

A brief examination of the historical development of Canadian federalism will highlight the beginnings of federal-provincial discord. This historical overview will underline the calls for provincial rights and decentralisation from French Canadians in the very early years of Confederation. Based largely on the desire to safeguard French culture and language, the provincial rights movement challenged federal supremacy over provinces.

At the heart of the debate are the divergent perspectives regarding the separation of powers between the two levels of government. As will be examined in the case study chapters, similar tension and divergence among perceptions of federalism are reflected in federal and provincial positions on the proposal for the devolution of labour market policy in the latter 20th century.

Confederation was achieved in 1867 by uniting the provinces of Ontario, Quebec, Nova Scotia, and New Brunswick. However, prior to Confederation, the founding nations of aboriginal peoples, and the two European nations of France and England established early colonial political entities. Almost three decades before Confederation, the 1840 Act of Union unified the colonies of Upper and Lower Canada, which were inhabited primarily by English and French speaking people, respectively. Although united, these colonies remained politically and culturally separated.

Politically, the two colonies enjoyed an equal division of seats in the legislature but consensus was frequently thwarted by the cultural divisiveness between French and

English interests (Archer et al., 1999). Inherent in this single legislature, was the rule of 'double majority', where in order to pass a law, the bill had to gain the approval of the majority in both sections of the legislature. This system was plagued by 'sectional deadlock', a problem that served to promote the idea of creating two levels of government (Archer, 1999: 136). Confederation founders, such as John A. Macdonald and George-Étienne Cartier acknowledged that:

if English Canadians and French Canadians were to continue to share a single state, the English majority could control the general or common government so long as the French were a majority in a province with exclusive jurisdiction over those matters essential to their distinct culture.
(Russell, 1993: 18)

In addition, with the desire to expand Canada's boundaries still further, union was sought with other colonies such as Nova Scotia and New Brunswick. As the planning process for union unfolded, there was much debate over whether Canada should adopt the more contemporary federalism as experimented with in the U.S. or whether it should follow in the unitary footsteps of Britain. It is important to recognise the founders' motivations and expectations of union. It should be noted that the founders may have purposely embedded within the 1867 constitution, a lack of specificity and clarity about the division of jurisdictional power.

In fact, according to Duchacek (1970: 273), the 'lack of verbal precision in all federal constitutions', may be intentional as 'some founders simply wish to conceal a unitary hope in a federal wrapping'. In the case of Canada, one of the founding fathers and its first Prime Minister, John A. Macdonald, believed that as time progressed, citizens' identity would be facilitated more through federal than provincial means, and

thus 'provincial identities would wither away' (Vernon, 1988: 12). For Macdonald the provinces were a means to an end. As Archer et al. (1999) note:

Macdonald saw the new constitution as an instrument for building a great nation on the northern half of the continent, extending from coast to coast and expressing itself primarily through its national government. The provinces were a necessary concession to existing local sentiment, but to Macdonald their powers were relatively unimportant in the larger scheme of things. Ottawa had been given all of the powers important to building a vibrant modern state, especially the economic powers and the residual power.
(Archer et al., 1999: 140-141)

Though they have merited little significance in recent years, the centralising powers of reservation and disallowance ratified in the 1867 Constitution Act gave the federal government the right to postpone, or even prohibit, enactments of provincial legislation (Archer et al., 1999). Armed with the powers of reservation and disallowance, Macdonald justified the subordination of the provinces by likening the relationship between British Parliament and Canada with that of the relationship between Canada's central and provincial governments. In this interpretation, sovereignty is lodged in the British Parliament and the Canadian central government.

Quebec supporters of decentralisation such as Antoine-Aimé Dorion and Jean-Baptiste-Éric Dorion were only too aware of the unitary overtones in the proposed plan, and how Confederation would surely ratify a subordinate provincial position in Canada (Vipond, 1991). Following Confederation, those who supported decentralisation sought to overcome the theoretical problems popularly associated with the division of sovereignty. In part, the American Civil War led many to distrust and fear federalism; thus, many centralists like Macdonald adhered to the Blackstonian theory of sovereignty,

which argued that the separation of sovereignty should not be attempted because such action could lead only to chaos (Vipond, 1991).

Blackstonian theory held that as time passed, sovereignty shifted from the 'monarch to the collective body of Parliament but by definition it could not be split between different legislatures' (Archer et al., 1999: 142). But the supporters of decentralisation endeavoured to defend their position that it was possible for the provinces to share in sovereignty (Vipond, 1991; Archer et al., 1999). The provincial rights advocates argued that sovereignty was rooted in British Parliament, and by its authority as expressed in the constitution, it appointed 'secondary sovereignty' to both Canadian central and provincial governments (Archer et al., 1999: 146).

The provincial rights movement gained significant momentum and influence after Confederation and eventually the assumption of divided authority, fundamental to federalism took hold. Be that as it may, within the 1867 Constitution Act, lie the seeds that corroborate both interpretations that support centralisation and those that advocate for decentralisation. The central-peripheral tension built into the inception of Canadian federalism is important to keep in mind, as it reflects the long-standing divisiveness over identity and power dynamics inherent in federal-provincial governmental relations. These dynamics are examined in the case study chapters.

Characteristics of federalisms

Heywood (2000) identifies four common characteristics of most federalisms, each of which will be illustrated in reference to federalism in Canada. To begin, in most federal systems, national and sub-national governments have certain powers which neither level

of government can usurp from the other. A second commonality among federal systems is the presence of a constitution that defines the powers and responsibilities of both levels of government, and which neither level of government may amend unilaterally.

In addition, the third characteristic is the existence of a Supreme Court set with the powers to interpret the constitution and arbitrate differences of opinion regarding the constitution. Finally, most federal systems are structured to accommodate representation of sub-national governments in decision-making at the national level. The characteristic division of powers in federal states, and the significance of a federal constitution will now be discussed with reference to the Canadian model.

The Canadian federal system is comprised of three northern territories and ten provinces. Canada became a federation with the establishment of the 1867 constitution, which in its allocation of legislative powers tended to favour the central government (Duchacek, 1970; Watts, 1999; White et al., 1998). This can be seen in the powers granted to the centre over the economic functioning of the nation, such as taxation, and powers concerning national security issues such as military defence (Duchacek, 1970). While in general, federalism, and federal constitutions embody a recognition of two distinct jurisdictions and related separation of power, the supremacy of central governments, is valid when considering that ‘the purpose of the adopted federal structure is to either create one nation out of many or to preserve a nation by a timely recognition of its inner diversity’ (Duchacek, 1970: 233).

The 1867 constitution allocated exclusive federal, exclusive provincial, and concurrent federal-provincial legislative powers. In Canada, the majority of legislative powers are assigned to federal and provincial governments, exclusively. This exclusivity

of powers enables governments to act autonomously, and it fosters, in principle, clear lines of governmental accountability; nonetheless, despite efforts to discern separate spheres, jurisdictional overlap is commonplace (Watts, 1999).

In response to problems associated with overlap, constitutions in many other federal states, including Australia, the U.S. and Germany, tend to assign concurrent federal-state legislative jurisdiction (Watts, 1999). However, in Canada, concurrent federal-provincial legislative jurisdiction is limited only to a few areas including immigration, agriculture, natural resources, and old age pensions and benefits.

In Canada, jurisdiction over areas not identified in the constitution, otherwise known as residual powers, were allocated to the federal government. In most federalisms, residual powers are assigned to the periphery, and therefore Canada stands in contrast. Duchacek (1970: 242) notes that the rationale for favouring the federal government was associated with the belief that a contributor to the 'political confusion and civil war' in the U.S. was linked to the residual powers endowed in the states. However, Watts (1999) contends that the residual power is less important in those federations like Canada, where the constitution tends to exhaust the areas assigned to either or both provincial and federal jurisdictions.

In most federations, the federal government is assigned areas concerning defence, economic and monetary matters, international affairs, key powers of taxation, and transportation. Provincial governments are usually assigned legislative powers over social issues, such as health, social welfare, education, and labour (Watts, 1999). However, in most federalism systems, including Canada, both federal and provincial governments have been active in the areas concerning social and economic policy.

In the case of economic policy, provincial governments have asserted their involvement in order to address provincial economic interests. For example, provinces establish offices in foreign countries to promote trade and other business related opportunities (Watts, 1999). And despite the leading role assigned to provincial governments over many social policy areas, the federal government is involved in standard setting and providing financial support in many social policy areas such as health and education.

The third feature common to most federal systems is the presence of a Supreme Court. In Canada, the Supreme Court interprets, amends, and arbitrates disagreements concerning the constitution. As an overseer of the constitution, the Supreme Court plays a key role in policy-making, and it attempts to resolve intergovernmental disputes (Watts, 1999). While constitutional considerations are many, a few observations only will be addressed here. To begin, as Watts (1999) points out, amending constitutions is a highly complex process. Amending formulas need to balance both the rigidity and flexibility of constitutions. Regarding this issue, Watts (1999) explains:

Some element of rigidity is required to safeguard the protections built in for regional and minority interests in the constitutional structure of the federation, since a sense of regional or minority insecurity generally tends to undermine federal cohesion. At the same time it is important that as conditions change the federation is sufficiently flexible to adapt. Too rigid a constitutional structure may seriously weaken the ability of the federation to respond to and accommodate changing internal economic, social and political pressures and external international conditions.
(Watts, 1999: 102)

In a review of constitutional amendments among federal states, Watts (1999) notes the constitutional rigidity of most federations. As comprehensive constitutional amendment has proven to be difficult, most federations have sought non-constitutional

means to realise greater flexibility in the operation of federalism (Watts, 1999). On this issue, Canada falls into the status quo. For reasons that will be dealt with in greater detail in Chapter 5, Canada has struggled unsuccessfully to make comprehensive amendments to the constitution over the last thirty years. Constitutional debate has not led to agreement among provinces and the federal government concerning in particular, the position of the province of Quebec in the federation.

It will be argued in Chapter 5, that in part, the failure to resolve intergovernmental disagreements has led to trends of non-constitutional intergovernmental arrangements and corresponding greater federal collaborative approaches in relations with provinces. The policy under consideration in this thesis offers one such example of greater federal-provincial collaborative efforts in the mid- 1990s. The federal proposal to devolve labour market policy to provinces followed decades of constitutional disputes and intergovernmental discontent, which, in part, sparked a unity crisis concerning Quebec.

One further issue concerning the constitution and the role of the Supreme Court should be considered. Although the federal government consults with provinces when choosing Supreme Court membership, the federal government alone has the power to designate judicial representatives to the Supreme Court. It is sometimes suggested that these arrangements expand the power of the federal government, notwithstanding the assumption that the Supreme Court is unbiased (Remillard, 1980; Rocher and Rouillard, 1996). Rocher and Rouillard (1996) comment:

Despite its pretensions to rationality, impartiality and objectivity, judicial interpretation is a properly political phenomenon, for it is a function not of a universal and timeless legal logic, but rather is a function of the values, beliefs, and preferences of the judges themselves. The exclusive right of the federal government to name

judges allows it to select those who are ideologically close or, at the very least, sympathetic to its views. This, of course, leads to a bias in favour of the federal government.
(Rocher and Rouillard, 1996: 111)

The Constitution Act of 1982 met with criticism among those who worry about federal dominance over the Supreme Court (Vandycke, 1995; Rocher and Rouillard, 1996). The Act gives the federal government more far-reaching powers with a greater ability to intervene in areas supposedly reserved under exclusive provincial jurisdiction, including issues related to education and language. Laforest (1992) and Vandycke (1995) suggest that the Constitution Act of 1982 advances federal dominance and thus entrenches further the centralisation of power in the federation.

The province of Quebec as represented by the Parti Quebecois government vehemently opposed the 1982 Constitution Act largely on the grounds that the Act expands the powers and influence of the Supreme Court, which in turn strengthens the reach of the federal government. The 1982 Act champions symmetrical federalism and upholds the equality among all provinces instead of recognising a special status for Quebec. As Vandycke (1995: 135) notes, 'Canada's cultural dualism has been progressively eroded by egalitarian provincialism'. It is held that these amendments hinder Quebec's ability to assert its desire for a distinct status within Canada, and it encroaches upon its capacity to oversee policy issues germane to its cultural makeup, such as those related to language (Laforest, 1992; Vandycke, 1995).

Lastly, in order to cultivate co-operative and relevant relations between central and peripheral governments, most federal systems establish the opportunity for the periphery to have some measure of input into policy-making at the centre (Heywood, 2000). However, the types of governmental institutions that facilitate this process differ

among federations. Federations have adopted governmental institutions that either separate or fuse executive and legislative powers. In either case, representatives are appointed by and accountable to the electorate.

Canada is sometimes referred to as executive federalism meaning that as a result of its parliamentary system, which fuses executive and legislative power, the executives of both levels of government form a relationship that largely determines the federal makeup (Hueglin, 1990; Heywood, 2000). This is contrasted with the presidential system followed in the U.S. where, because of the separation of executive and legislative powers ‘government power is diffused both territorially and functionally, meaning that there are multiple points of contact between the two levels of government’ (Heywood, 2000: 240).

Comparing the relative benefits and challenges concerning federal governmental effectiveness and how representative both types of systems are, Watts (1999: 85) notes that while the ‘presidential-congressional’ type tends to deter the ‘excessive dominance’ of federal and state governments, it is hindered by ‘deadlocks and impasses’; a set of problems that are exacerbated when different political parties preside over the respective jurisdictions. In comparison, in the parliamentary type found in Canada, the federal government tends to be more ‘cohesive and decisive’, yet this type is over reliant on both strict party discipline, and the exercise of executive federalism (Watts, 1999: 85).

With regards to representing regional interests at the federal level, the presidential type found in the U.S. primarily depends on the president and vice-president in reaching balance amongst regional interests. The parliamentary type by contrast, it is argued, has far more capacity for the inclusion of regional interests at the federal level (Watts, 1999). This is particularly important to this study, as both Nova Scotia and Alberta desire

representation at the national level yet their interests are different. The case study - - - - - specifically illustrates these desires and the divergent interests that are expressed by both provinces.

Unitary and federal systems: Canadian federalism

In comparison with the separated spheres of power as found in federal systems, one central governmental body reigns supreme in unitary systems. This centralised dominance is exemplified in its authority to revise any devolved powers of peripheral governments (Jackson and Jackson, 2001). As will be addressed later, though this central body of government is supposed to 'reign supreme' this might be an overgeneralisation. For example, the unitary system in the U.K. has devolved substantially.

Legislative authority, or sovereignty, is lodged at the centre in unitary systems, and both at the centre and periphery in federal systems. As such, Archer et al. (1999) suggest that federal systems aim to promote both diversity and unity, whereas unitary systems are more concerned with the latter.

According to Duchacek (1970), what differentiates a unitary system from a federal one is the lack of constitutional protection for peripheral governments. Provincial or peripheral administrations in a unitary state do not enjoy guarantees of permanent autonomous status. On the other hand, peripheral governments' 'existence and autonomy' are safeguarded in federal systems (Duchacek, 1970: 234). In a unitary system, the central government 'has the right to create, extend, circumscribe, or altogether eliminate local self-rule' (Duchacek, 1970: 234). This does not preclude the existence of

some measure of territorial autonomous status, yet it does render this autonomous status as 'impermanent' and 'destructible' (Duchacek, 1970: 234).

However, Duchacek (1970) qualifies his comment by noting that unitary systems rarely eradicate or significantly reduce peripheral autonomy, because to do so could have serious political costs. Such actions could be perceived as a lack of respect for 'territorial pluralism' and regional autonomy (Duchacek, 1970: 235). In addition, limiting autonomy might carry other costs such as reducing the efficiency of government administration. Also, Duchacek (1970) observes that many unitary systems do guarantee levels of autonomy for the periphery.

In fact, most systems, including unitary ones, embody some measure of decentralisation (Lindquist, 1994; Bakvis, 1981). Bakvis (1981) maintains that:

It would be most unusual to find a system which can be called a purely unitary state. Most polities are decentralized in some form, even if it is only at the administrative level, as in France. Federal arrangements are unique, however, in that they do give institutional expression and a degree of autonomy to territorially-based interests. These territorially-based interests need not be unusually strong, although institutions do tend to render the territorial cleavage more politically salient than might otherwise be the case. Societies like Germany which have a federal arrangement may be quite homogeneous in terms of culture, economic interests, and other matters. On the other hand, societies having a unitary system may be highly pluralistic and fragmented: Belgium is an example. Thus, it should be kept in mind that both federal and non-federal systems can be either homogeneous or pluralistic in their societal make-up.
(Bakvis, 1981: 9)

Thus, it is difficult in practice to draw sharp distinctions between unitary and federal systems (Bakvis, 1981; Duchacek, 1970). For example, Mexico's federalism mimics unitary qualities with its 'near one party' system and the U.K.'s unitary system

has recently developed a pattern of asymmetrical devolution to administrations in Northern Ireland, Scotland, and Wales (Jackson and Jackson, 2001: 199). It is apparent then that both unitary and federal systems can be located near either extreme of the centralisation-decentralisation continuum (Jackson and Jackson, 2001). In other words, 'decentralization does not require federalism at all' (Vernon, 1988: 5).

Distinctive features of Canadian federalism

Heywood (2000) notes that classical federations are rare and he identifies Canada along with the U.S., Switzerland, Belgium, and Australia as nations belonging to this category. Classical federalism is defined as the territorial distribution of power within a nation, where sovereignty is shared between two bodies of government. As power is shared, neither level has complete dominion over the other.

However, while Canada is considered a 'classic' federal system, the decision-making process aimed at national concerns is highly centralised. The tendency towards exclusive federal or exclusive provincial jurisdiction in Canada contributes to the centralisation of national issues. Therefore, in the spectrum of 'classic' federal states, Canada is primarily an example of unilateral federalism, as collaboration and consultation between federal and provincial levels are minimised (Biggs, 1996; Maxwell, 1997).

As will be addressed in Chapter 5, the view that Canada's approach to federalism is a relatively unilateral one, contributed to a notable shift towards a more collaborative federalism in the mid- 1990s. According to Vernon (1988), the debate in Canada about the strengths and weaknesses of federalism has shifted over the decades from arguments that extol the virtues of centralisation to arguments that support the opposite.

... Criticisms of federalism made in the 1930s focused on the federal government's ... apparent incapacity to offer effective support in response to problems caused by the Great Depression. Arguments about the best strategy for rapid recovery favoured a centralised, federal approach and decisive actions by 'big government'. In marked contrast, debates about the desirability or legitimacy of the federal government since the 1970s have tended to discredit or question the advantages of centralisation.

Canada, as exemplified by its territorial divisions, is regarded by Roskin et al. (1997: 252) as a 'federation with strong centrifugal tendencies'. One framework used to describe Canadian federalism is a continuum with opposite poles that represent two very different conceptions about the goals or purposes of federalism. At one end of the continuum 'centripetal federalism' supports the preference of a strong federal government that gains its strength from restricting the power of provincial governments. At the other end of the continuum 'centrifugal federalism' favours just the opposite: increasing provincial powers that result from a weakening of federal government authority (Kernaghan and Siegel, 1991). Discussing this continuum Stevenson (1982) states:

The concepts and continuum are possible because federalism itself is a compromise between unity and diversity, symbolized by two levels of government which ostensibly represent these two aspects of the federal polity. Federalism has been admired by some because it promotes unity and by others because it protects diversity; conceivably it does both. However, in practice most adherents of federalism, and most citizens of federal states, are more deeply committed to one of these goals than to the other, so the two goals correspond with two concepts of federalism, depending on which is emphasized.
(Stevenson, 1982: 41)

As discussed earlier, models of federal systems often try to ensure both a substantial level of local autonomy and an adequate measure of federal power. All

federalisms accord peripheral constituents a measure of power that cannot be readily usurped by the centre. (Roskin et al., 1997). However, the concepts of centripetal and centrifugal federalism are important and useful because they incorporate an idea of process and development. They suggest that, over time, one level of government seeks to draw power from the other.

This challenges static definitions of federalism that refer to divided sovereignty with delineated powers. Inherent in federalism is a continuing paradox or tension between two competing ends. Thus, federalism in the Canadian context can be viewed as a mechanism, which balances decentralisation and centralisation, as it challenges regional disparities and pan-Canadian societal inequity, while at the same time sanctioning ‘full expression of diversity’ (Gagnon, 1995: 30).

However, federalism’s tolerance for diversity is strongly contested by those centrifugal interests stemming from the province of Quebec, in particular (Rocher and Rouillard, 1996; Noël, 1999). Pressures from Quebec and other provinces for increased decentralisation are discussed in Chapter 5. It is argued in this thesis that these pressures influenced the federal government’s decision to propose devolution of labour market policy to provinces.

Conclusion

This chapter reviewed theory related to the main arguments examined in this thesis. The political interest argument holds that governments are influenced by the drive to seek and maintain power when they make decisions about the devolution of policy. Thus, governments are motivated primarily by self-preservation as they seek out electoral

support, and compete with each other to sustain and extend their political reach. In the political interest argument, competition among governments is influenced by regional diversity, and unequal power and economic distribution across the Canadian federal state.

Contrary to the political interest argument, the public interest argument asserts that governments make decisions on devolution based on the best interests of citizens. Three main categories of public interest were reviewed. Noted was that the public interest is interpreted as an attempt to balance divergent special public interests, and to meet the universal interests of citizens', and lastly, public interest is judged according to some type of standard.

Further, the chapter gave an overview of the early development of the Canadian federal system. The central features of Canadian federalism were discussed, and controversial issues about divided sovereignty were highlighted. The continuum of centrifugal and centripetal conceptions of the Canadian federal state pointed to developmental processes that challenge static perceptions of federal states.

The political interest argument, which, in part, contends that governments attempt to gain power at the expense of the other, has relevance to the long-standing federal-provincial divisiveness evident in Canadian federalism, as discussed in this chapter. The clashing of national interests with sub-national interests is rooted in Canada's pre-Confederation history. Also, public interests are relevant in the development of the Canadian federal state. For instance, Quebec's attempts to protect French language and heritage can be seen as an attempt to contribute to the public interest of French speaking Canadians.

The discourse on federalism addressed in this chapter provides information that will be helpful when examining definitions and theoretical concepts pertaining to decentralisation and devolution. In Chapter 3, the debate concerning centralisation and decentralisation will be explored further, and the case study of the devolution of labour market policies will be discussed.

Understanding Decentralisation and Devolution in the Canadian Federal State

Introduction

This chapter will begin by defining terms relevant to the thesis, including centralisation, decentralisation, devolution, and deconcentration. As mentioned earlier, the concept of decentralisation is subject to multiple interpretations (Thomas, 1994) and therefore it is important to make some observations about the challenges in achieving consensus on definitions related to concepts pertinent to this thesis. Next, the extent of decentralisation in Canada will be examined and comparisons with other federal states will be made.

Knowledge about decentralisation and devolution in the Canadian context will be instructive when examining the case study investigated in this thesis. One of the primary purposes of this chapter is to better comprehend why federal and provincial governments might encourage or avoid decentralisation and devolution. Therefore, the debate over centralisation and decentralisation will be presented. Divergent views about decentralisation might be reflected in federal and provincial governments' positions on the proposal for labour market policy devolution.

In the latter part of the chapter the case study will be described. Details about the official federal proposal to devolve labour market policies to provinces will be helpful when examining the influences of the federal initiative and provincial government responses from Alberta and Nova Scotia.

According to Heywood (2000), centralisation and decentralisation refer to the division of political power between national and sub-national governments. Centralisation involves the concentration of power at the national governmental level, while decentralisation refers to political power shifting towards peripheral or sub-national governments. Some of the concepts discussed in the previous chapter have relevance for how these divisions are structured. For example, the degree of centralisation or decentralisation is dictated by the constitution and the resulting official divisions of roles and responsibilities (Heywood, 2000).

Notwithstanding these defining characteristics, it is acknowledged that differentiating centralisation from decentralisation is a complex task. For example, reform can engender both the centralisation and the decentralisation of different authorities at the same time, and thus, it could be asked if one level of government 'centralizes the financing of a program, but decentralizes responsibility for administering the program, is that decentralization or centralization?' (Lindquist, 1994: 421).

In contrast, devolution 'at least in its legislative form, establishes the greatest possible measure of decentralisation within a unitary system of government' (Heywood, 2000: 239). Devolution represents the transfer of central or national powers to peripheral or sub-national bodies and the resulting 'devolved bodies thus constitute an intermediate level of government between central and local government' (Heywood, 2000: 238).

Devolution, compared to federalism, lacks sovereignty as its newly founded powers 'are conferred by, the centre' (Heywood, 2000: 239). Administrative devolution

represents the weakest type of devolution as it lacks the authority to create policy and thus, devolved bodies are restricted to the implementation of policies alone. In comparison to this, legislative devolution denotes both greater fiscal and policy-making independence. Devolution occurs in response to centrifugal pressures that exist within the state. It is interesting to note that ‘devolution may fuel centrifugal pressures by strengthening regional, ethnic and national identities, leading to federalism or even state breakdown’ (Heywood, 2000: 239).

Defining the degrees of decentralisation is a complex process, and as suggested above, is only possible if different types of decentralisation are taken into account. For instance, Watts (1999) differentiates between jurisdictional decentralisation and decentralisation of federal decision-making. Where the latter deals with the extent to which peripheral governments have the opportunity to participate in making decisions at the national level, jurisdictional decentralisation involves both scope of jurisdiction and degree of autonomy. Watts (1999) notes:

....decentralization of jurisdiction, has itself two aspects to be distinguished: the *scope of jurisdiction* exercised by each level of government, and the *degree of autonomy* or freedom from control by other levels of government with which a particular government performs the tasks assigned to it.
(Watts, 1999: 71-72, italics used in original text)

While noting the difficulty inherent in assessing and measuring scope of jurisdiction and degree of autonomy among federations, Watts (1999) suggests that such an endeavour necessitates the consideration of several indicators, three of which will be discussed herein: legislative, administrative and financial decentralisation.

Legislative decentralisation is an indicator of the scope of decentralisation. Legislative decentralisation has to do with the constitutional allocation of national and sub-national powers. Among federations the extent of power allocated by constitutions may not be uniform. Thus, it is important to take into consideration the extent to which constitutional divisions of power are actually exercised by the different levels of government (Watts, 1999).

The degree of autonomy granted to each level of government is influenced by whether the constitution allocates exclusive federal or provincial powers, concurrent federal-provincial powers, or shared federal-provincial powers. Exclusive powers indicate that either the federal or provincial government has sole legislative authority over a subject matter. In Canada, examples of exclusive legislative authority include federal jurisdiction over unemployment insurance and provincial jurisdiction over education.

Concurrent powers indicate that both federal and provincial governments have legislative authority over a subject matter. Matters of concurrent legislative authority are limited in the Canadian federal system, and include immigration, pensions, and agriculture. Finally, shared powers imply that different aspects of a matter are allocated exclusively to the federal and provincial governments. For example, in Canada, the federal government has exclusive legislative authority over banking, where provincial governments have sole authority over credit unions and savings.

Administrative decentralisation is another indicator of the scope of decentralisation. This type of decentralisation is either constitutionally assigned, or established by intergovernmental arrangements. Basically, administrative decentralisation occurs when one level of government relies upon another for the administration of policies for which it has legislative responsibility. Also significant is the degree to which the government with constitutional jurisdiction steers or controls the administering government's implementation activities.

Watts (1999) suggests that the degree of provincial autonomy is influenced by whether delegation of authority is constitutionally based or the result of an intergovernmental agreement. For example, when administrative decentralisation results from shifting federal constitutional authority to provinces, by means of an intergovernmental agreement, the biases of the federal government can strongly influence the extent of provincial autonomy. This issue has relevance for the case study explored in this thesis. As will be discussed later in this thesis, the federal government attempted to extend its own political interests while limiting provincial autonomy through asserting particular stipulations in the official proposal for devolution.

Financial decentralisation

Financial decentralisation can be examined by comparing federal government revenues as a percentage of expenditures incurred at all governmental levels (Watts, 1999). Both the scope of financial centralisation or decentralisation and degree of financial autonomy can be assessed by comparing revenues raised by individual governments and by controlling

for transfers of revenue between governments. The extent of financial decentralisation increases as the proportion of federal revenue and expenditure decreases, compared to the revenue and expenditures of provincial and municipal governments. With reference to programme administration and service delivery, the scope of financial decentralisation (but not the degree of financial autonomy) can be assessed by comparing federal government expenditures after transfers as a percentage of expenditures of all levels of government.

The scope of decentralisation and degree of autonomy are affected also by the use of spending power. This occurs when one government exercises control through the spending power to have influence in an area outside its jurisdiction. (Watts, 1999; Rocher and Rouillard, 1996).

The extent of decentralisation in Canada

Taking into consideration the different types of decentralisation as just discussed, Watts (1999) analyses the extent of decentralisation in Canada. In a comparative analysis involving twelve federalisms Watts (1999) finds that while Canada is not the most decentralised, it is one of the more decentralised federations in the study².

For example, when examining relative legislative power, Canada is less decentralised in culture and policy related to language than is Switzerland and Belgium and less decentralised than the U.S., Switzerland, Germany, and Austria with respect to the residual power. Watts' (1999) analysis finds that Canada is less decentralised in the

²Watts' (1999) comparator federations are: Canada, United States, Switzerland, Australia, Germany, Austria, India, Malaysia, Belgium, Spain, Czechoslovakia, and Pakistan.

area of unemployment insurance than the U.S., Switzerland, Australia, and Germany.

With regard to this matter, Canada's position in comparison to other federal systems is significant, as the case study explored in this thesis is the federal proposal to devolve Part II of the 1996 Employment Insurance Act. As set out in the introduction, details pertaining to the case study will be examined later in this chapter.

Different from many other federations, provincial autonomy is emphasised in Canada. Provincial autonomy is significant because legislative jurisdiction in Canada is largely exclusive; whereas, in several other federations, such as Australia and Germany, legislative authority tends to be shared or concurrent. As federal government control tends to predominate in shared and concurrent jurisdictional arrangements, provincial jurisdictional autonomy appears to be greater in Canada (Watts, 1999).

In Canada, this tendency towards exclusivity is demonstrated by the fact that the federal government enjoys exclusive jurisdiction of unemployment insurance, where among the twelve federations studied, five constituents only (four federal: Austria, Belgium, Spain, Malaysia and one state: India) can claim the same arrangement. With respect to post-secondary education in Canada, provinces hold exclusive jurisdiction and in four other federations only (three federal: Austria, Malaysia, Spain and one state: Belgium) does exclusive jurisdiction exist among the federations in the study³.

In Canada, administrative responsibility primarily mirrors legislative responsibility. Other federations, such as Germany and Switzerland are centralised in terms of legislative jurisdiction but have relatively decentralised administrative

³For two of the study federations, namely Pakistan and Czechoslovakia, the examples of unemployment insurance and post-secondary education are neither registered nor evaluated in Watts' (1999) study.

arrangements (Watts, 1999). In contrast to Canada, the peripheral or cantonal public service bodies in these administratively decentralised federations are much larger than those found at the federal government level. As an indicator of the scope of decentralisation concerning legislative and administrative responsibilities, in 1993, compared to the federations in the study, Canada's federal expenditure as a percentage of all government expenditure was less, save Switzerland, at 40.6 per cent and 36.7 per cent respectively.

In terms of provincial autonomy, Canada is once again among the most decentralised federations when federal and all other government revenues (before transfers) are compared with each other. Watts' (1999) study indicates that in 1993, Canadian federal revenues before transfers set at 47.7 per cent represented the lowest federal revenues except for Swiss federal revenues that amounted to 44.7 per cent in the same year. Watts' (1999) study finds Canada's federal revenues (before transfers) as a percentage of total government revenues (47.7 per cent) are significantly lower than Germany (64.5), the U.S. (65.8), and Australia (69.1).

Importantly, in Canada, this trend towards financial decentralisation, which does provide for some measure of provincial autonomy, is pitted against the federal use of the spending power to influence areas outside of federal jurisdiction. Governments gain control and influence over areas outside their jurisdictions through making conditional financial contributions. The use of the federal spending power represents 'a serious centralizing counterweight to the otherwise relative autonomy of the provinces' (Watts, 1999: 77).

In general, Watts' (1999) study supports the supposition that Canada is a relatively decentralised federation. Noting the difficulty inherent in demarcating degrees of decentralisation, Watts (1999) states:

Canada, in terms of the scope of responsibilities and autonomy exercised by the provinces would appear on balance to be one of the more decentralized federations, although not indisputably the most decentralized...There are some specific respects in which the constituent units in various other federations have had more extensive responsibilities or more autonomy or have exercised greater influence on federal policy making than the Canadian provinces. But overall, the Canadian provinces in terms of jurisdiction and fiscal autonomy across a wide range of policy areas of major importance to their residents have been more powerful than the constituents in most other federations.
(Watts, 1999: 79)

Drawing attention specifically to the fiscal autonomy of the provinces, others also evaluate Canada as a decentralised federation. For example Bird and Tassonyi (2001) note:

Canada is one of the most decentralized countries in the world. Canadian provinces are responsible for most major social expenditures and have a virtually free hand in levying taxes. They face essentially no constitutional restraints on tax rates, bases, or collection systems and no requirement to harmonize either with each other or with the federal government. All provinces receive essentially unconditional transfers from the federal government, and, in some provinces, such transfers are more important sources of revenue than their own taxes. Moreover, if provinces wish to borrow, they may borrow as and from whom they wish, with no central review or control.
(Bird and Tassonyi, 2001: 85-86)

Notwithstanding Watts' (1999) and Bird and Tassonyi's (2001) analyses, however, the degree to which Canada is a decentralised federation is debatable. While some contend that Canada is quite decentralised (Leslie, 1993; Maxwell, 1996; Watts, 1999), others draw attention to the unilateral and centralised tendencies of the federation (Richards, 1998; Rocher and Rouillard, 1996; Noël, 1999).

Studies that conclude that Canada is a relatively decentralised state based on the predominance of jurisdictional exclusiveness of federal and provincial governments are criticised for ignoring the political influence of the federal use of the spending power, and thus, 'it is necessary to go beyond simple constitutional prescriptions to address the real dynamics of federal-provincial relations' (Rocher and Rouillard, 1996: 107).

As mentioned earlier, it is important to recognise the distinctions between constitutional arrangements and the practice of politics. The case study examined in this thesis allows for the exploration of this distinction. It will be argued in the case study chapters that federal and provincial governments' decisions about devolution of labour market policy are influenced by factors beyond the provisions outlined in the constitutions.

Furthermore, there appears to be a lack of consensus in determining which tools or methods to employ when measuring and comparing relative decentralisation across federations. Rocher and Rouillard (1996) are critical of the view that decentralisation is greater when the percentage of conditional transfers is lower than the percentage of all other revenues, arguing that a higher proportion of unconditional revenue does not guarantee greater decentralisation. They offer the example that a province may accrue additional revenue by means of borrowing but that the subsequent increase in unconditional revenue compared to conditional revenue does not lead to greater decentralisation (Rocher and Rouillard, 1996: 107). Further on this point, it is suggested although it may choose to decrease the amount of conditional funds, the federal government may continue to hold provinces accountable for adhering to nationally imposed standards (Brooks, 2000; Richards, 1998). Thus, the extent of decentralisation in Canada is debatable.

The challenge of determining the extent of decentralisation in the Canadian federation is limited further by definitional problems related to distinguishing different types of decentralisation, and ensuing characteristics of federal-provincial arrangements. It has been suggested that an examination of the concept of deconcentration can advance a more comprehensive understanding of the issues at hand (Kernaghan and Siegel, 1991; Barrette, 1992; Rocher and Rouillard, 1996; Lindquist, 1994).

The term 'deconcentration' is useful in this discussion because it draws attention to the limitations imposed on the autonomy of the level of government that receives devolved or 'deconcentrated' powers. When policy is deconcentrated it is assumed that strategic powers are lacking and that the central government, while shifting some measure of authority to peripheral governments, retains legislative control and the means to closely monitor and sometimes dictate how the delegated powers are implemented.

Highlighting the importance of distinguishing political or legislative decentralisation from administrative decentralisation, Rocher and Rouillard, (1996: 102) contrast strategic power (control over directions and goals) with operational power (control over decisions about how to achieve the former). It is argued that it may be imprudent to conceive operational power as an indication of decentralisation. More specifically, even though an expansion of public expenditures may go hand in hand with operational power, assessment cannot ignore the issue of strategic power that imposes limits upon provinces by way of federally determined conditions (Rocher and Rouillard, 1996). The failure to make this distinction may result in confusion and ambiguity in assessments that attempt to define and measure decentralisation.

According to Barrette (1992), deconcentration involves the delegation of particular powers and responsibilities which:

allows a deconcentrated unit to take some more or less limited decisions, within a framework defined by the central authority, which nevertheless preserves the totality of powers and the general responsibility of the mandate.
(Barrette, 1992: 83)

Lindquist, (1994) agrees that deconcentration may not result in greater authority being passed down to peripheral units, and in fact notes that deconcentration may actually serve to inform the centre about the actions taking place in the periphery.

From the perspective of the structural organisation of public administration, Kernaghan and Siegel (1991: 50) hold that decentralisation and deconcentration can be differentiated by highlighting the degree of 'real decision-making authority' housed in the body of the peripheral organisation. Moreover, the distinct benefits of decentralisation and deconcentration as approaches to organisation, illustrate the complex challenges to balance the sometimes disparate objectives of enhancing local sensitivity, and maintaining equity and standards across a country as large and diverse as Canada (Kernaghan and Siegel, 1991).

It is suggested by Kernaghan and Siegel (1991), that with decentralisation, local conditions and regional co-ordination can be given greater attention as the authority contained in the peripheral governing body is significant. The extent of authority in decentralisation is greater when measured against the much lesser extent of such authority in cases of deconcentration, where central bodies retain authorities that result in uniform dispersion of standards across geographic regions. The benefit of deconcentration is

found in the maintenance of uniformity, and is preferred when assuring the existence of standardisation is desired (Kernaghan and Siegel, 1991). Thus, it would seem that standardisation comes at a cost to local autonomy.

In sum, though controversy exists over the extent of decentralisation in Canada, it appears that Canada is representative of a relatively decentralised federal state. Further, definitions of concepts related to decentralisation will inform the analyses that take place in the case study chapters. As will be discussed, perceptions about the extent of devolution contained in the federal proposal differed among federal and provincial governments. Also, these divergent perceptions help to shed light on the political interest and public interest influences of federal and provincial governments' decisions and positions on devolution.

The decentralisation-centralisation debate

The debate over decentralisation is informed in part by context. According to Lindquist (1994), examining the debate about decentralisation free of contextual bias can render the argument to one of relative merits and limitations of organisational structures. Arriving at the best organisational structure involves deliberation about particular divisions of responsibility among governmental levels in order to maximise policy and programme outcomes.

However, Lindquist (1994: 424) notes that, there is more to the debate over decentralisation than 'finding the right balance of authorities and organizational capacities within jurisdictions'. Moreover, fiscal issues that suggest the need for revised intergovernmental arrangements, along with provincial demands for expanded powers

akin to greater autonomy, result in pressures for decentralisation. According to Lindquist (1994) these latter pressures:

create a different set of incentives, constraints, and dynamics on what might otherwise be touted as a rational discussion of organizational design. Governments have considerable incentive, at the very least, to defend their jurisdiction in order to demonstrate they represent their constituents, and to expand their turf and claim new jurisdiction in order to show that they are proactive and responsive.
(Lindquist, 1994: 424)

Prior to examining the case study of devolution, this section of the chapter will review the debate over decentralisation. In general, the debate over decentralisation has relevance for federal-provincial dynamics as it will broaden the notions of nation-building and province-building. Moreover, this examination will shed light on some of the reasons why provinces might either encourage or avoid devolution of federal authority. As will be seen, province-building needs to take into account the differential wealth of provinces. Provinces do not have similar views on decentralisation. Different provincial experiences within the Canadian federal state result in a range of views about the relative value of decentralisation and devolution.

The debate over decentralisation is substantial. In the first part of this section the historical significance of centralisation will be reviewed. This material will inform the second part of this section that will examine two broad categories of the decentralisation-centralisation debate:

(a) Responsibility for national concerns, and implications for standards and equity:

Divergent perspectives about which level of government is most justified to represent national concerns will be addressed. Arguments have been lodged from

centralists and decentralists in reference to national standards and equity. Some of these arguments will be reviewed, including the debate about how decentralisation affects national standards and equity. Arguments for and against decentralisation in the form of inter-provincial arrangements to oversee national concerns will also be presented.

(b) Decentralisation and effects on policy:

Arguments that favour decentralisation based on its beneficial effects on policy will be discussed. Arguments that support decentralisation point to the benefits of flexibility in the practice of federalism; asymmetry is prized because it encourages provincial policy experimentation and innovation. Further, it is argued that decentralised policies can be more effective and more sensitive to local needs and issues than centralised policies. Also, this section will review arguments for decentralisation that are based on perceptions that decentralisation has the potential to realise efficiency gains. One argument made is that efficiency is impeded by the overlap and duplication found in provincial and federal policies. These arguments will be dealt with in the latter half of this section.

Historical significance of centralisation

According to Lindquist (1994) when examining decentralisation, it is important to recognise the perceived merits of centralisation:

...to take advantage of economies of scale, to create a critical mass of expertise, to equalize disparities across component units, and to provide another level of accountability and control.
(Lindquist, 1994: 423)

Generally it is held that central governments are best situated to represent interests which concern the whole country, in contrast to 'its various parts', which may be composed of 'sectional, ethnic or regional groups' (Heywood, 2000: 238). Moreover, centralisation can rectify inequalities across peripheral units, as those regions with high social need are often limited in the extent to which they can raise funds in response to social problems (Heywood, 2000). With regard to this, it is critical not to lose sight of the reasons for centralisation of social policy during the first half of the twentieth century.

It is well understood that centralisation allowed for the establishment of pan-Canadian social policies and programmes (Kent, 1996; Banting, 1997; Cameron, D.R. 1994; Lindquist, 1994; Maioni, 1999). It is a popular assumption that social policy is very closely tied to the federal role in Canada. Largely, the Great Depression altered the provisions set out in the 1867 Constitution, when the country faced overflowing municipal welfare rolls and soaring unemployment. In response, the federal government began to play a key role in national social policy.

In 1941, federal and provincial governments agreed on tax arrangements that permitted the federal government to 'occupy tax fields and collect taxes for the provinces' (Muszynski, 1995: 292). These arrangements established the onset of federal control over spending, which in turn laid the foundation for the post-war era of social policy development and Canada, along with several other industrialised nations, entered into the Keynesian period of macro-economic welfare state development.

Through federal conditional grants and cost sharing programmes, both federal and provincial levels of government established a series of social policies and programmes between 1945 and 1962 (Muszynski, 1995). In the 1960s, for instance, the federal

government introduced the Canada/Quebec Pension Plan. Other policies and programmes introduced in the 1960s included the national health insurance system, and federally funded post-secondary education. Also established was the Canadian Assistance Plan, where the federal government paid 50 percent of provincial costs related to social assistance.

Muszynski (1995) notes that while Quebec traditionally opposed a strong federal involvement, the other provinces, while not wholly satisfied with extensions of federal influence, have not been displeased to receive the benefits of federal monies. In some of the arguments that follow in the next part of this section, the merits of centralisation are disputed, and decentralisation is often posed as the most favourable alternative.

Responsibility for national concerns: Implications for standards and equity

A central argument against decentralisation is the worry that decentralisation will undermine national standards that relate to the issue of pan-Canadian equity (Collins, 1996; Gibbins, 1997b; Maioni, 1999). Some commentators such as Gibbins (1996) and Deber (1996) hold that Canadian citizens support national social programmes and some measure of national standards, which ensure that similar service levels are available for all Canadians, regardless of provincial residence. Given the popularity of social programmes, such as Medicare⁴, it is suggested that options to decentralise social policy should be scrutinised to account for how national standards will be affected (Gibbins, 1996).

⁴In a comparison with ten countries, Blendon et al. (1990) found that Canadian citizens had the highest levels of satisfaction with their health care system.

Gibbins (1997b) argues that a highly probable outcome of increased decentralisation is a decrease in public support for national efforts, such as maintaining national standards. This is a salient issue to consider because the degree of wealth varies widely across the provinces of Canada. Efforts to redistribute attempt to balance this variance through an equalisation scheme, which, through a centralised federal mechanism, provincial revenues are transferred from richer to poorer provinces.

In 1957, the fiscal equalisation scheme was initiated in Canada and in 1982 it was entrenched in the constitution. In the form of unconditional cash transfers, the scheme provides fiscal support for poorer provinces to ensure the availability of similar levels of public services and similar levels of corresponding taxation across the country. The equalisation programme is an instrument that attempts to achieve and maintain provincial equity. However, among the richer provinces, mainly, Alberta, British Columbia and Ontario, equalisation schemes have been challenged, as these provinces have asserted their desire for the authority and funding of social policy initiatives to be decentralised to the provincial level (Armitage, 1996). With greater decentralisation, public support may reflect provincial rather than national priorities.

Gibbins (1997b) contends that because social policy asymmetry among provinces is the goal of decentralisation, steps to assure symmetry of outcomes contradict with the rationality of decentralisation. Gibbins (1997b) notes:

Decentralization makes sense if one recognizes that provinces are and should be significantly different with respect to social programmes and economic management...Formal constitutional symmetry might be maintained in a more decentralized federation, but symmetry of result is incompatible with the logic of decentralization. At some level, therefore, the logic of decentralization works against the logic of equalization: the

former celebrates the interprovincial variation for which the latter tries to correct.

(Gibbins, 1997b: 9)

Thus, decentralisation might threaten pan-Canadian equity. Predictably, opposition to decentralisation has come from those provinces most reliant on the equalisation programme, and according to Gibbins (1997b) taxpayers in richer provinces have become reluctant to pay for pan-Canadian provincial equity. Wealthier provinces' support for equalisation policy is decreasing because they 'see increasingly less direct benefit to them for the contributions they make' (Bickerton, 1996: 21). This issue will be revisited in the case study chapters, as Alberta and Nova Scotia have been selected as representative of wealthier and poorer provinces, respectively.

There is an interesting counter argument to the position that decentralisation leads to the weakening of national standards, and to less equity between provinces. In defence of decentralisation, advocates charge that national standards do not necessarily offer greater protection of social programmes (Courchene, 1996). For example, in 1996, the U.S. federal government imposed national regulations over states that effectively imposed harsher welfare policies on citizens (Boychuck, 1996; Noël, 1999).

In this case, national standards place limits on the maximum level of financial aid that can be received and those states not maintaining these standards are subject to penalties, which include partial federal withdrawal of fiscal resources. Thus, when the federal government is overseeing standards, policies that lead to greater equity can be discouraged. Accordingly, centralisation does not always encourage social policies that aim to increase equity.

However, if it is assumed that national standards are necessary in order to maintain some equity, the overriding issue remains: what are the appropriate roles for each level of government in realising this end? Since the early to mid- 1990s, the argument for greater decentralisation has highlighted the importance of provinces playing a larger role in determining and monitoring national standards (Courchene, 1996; Richards, 1998).

Contrary to fears related to a lesser federal presence in overseeing standards, some maintain that a reduced role for the federal government will not lead to a weakening of 'Canadian values' and disintegration of the country (Brooks, 1999; Noël, 1999). Critical to the debate is the contention that national standards do not have to be federally imposed, and that inter-provincial mechanisms are preferred (Schwanen, 1996; Courchene, 1997; Noël, 1999).

For example, Courchene (1997) argues for a greater provincial role in achieving positive and negative integration. Negative integration has to do with what Courchene calls 'thou shalt nots', referring to the vertical monitoring of rules, where traditionally the federal government would for instance, impose stipulations against 'extra billing' for medical services. It is argued that negative integration alone is limited in its effectiveness. Courchene (1997: 80) argues that positive integration is crucial because it ensures provincial co-ordination in matters such as 'skills transferability' and 'consumption tax harmonization'. Thus, the argument here is that harmonising provincial programmes promotes the integration of policies across the country. Courchene (1997) suggests that a balance must be fostered which allows provinces to be innovative, yet not so innovative that barriers to harmonisation are constructed. It is argued that the

provinces might be best placed to establish and monitor standards pertaining to matters of harmonisation (Courchene, 1997).

In addition, arguments for decentralisation are supported by the premise that provinces must play a pivotal role in maintaining pan-Canadian social policy, because the federal government's authority in this regard has been tarnished as a result of its own significant fiscal dilemmas (Courchene, 1996). According to Lazar (1997), it is not coincidence that arguments for increased provincial involvement in social policy and standard setting gained momentum following a period of intense federal fiscal reform.

In 1995, the federal government reduced its fiscal transfers to the provinces by \$4 billion. What resulted from this marked fiscal restraint was that the federal government's 'political and moral authority' to make unilateral decisions about the 'terms and conditions under which the provinces would receive these transfers' was considerably decreased (Lazar, 1998a: 107). Therefore, the argument that champions greater provincial autonomy and involvement in national standards is influenced by provincial frustration over federal fiscal restraint.

Conversely, the idea that provinces should be more responsible for setting and monitoring national standards is strongly challenged by some commentators who doubt the ability and willingness of provinces to reach consensus on pan-Canadian social policy (Collins, 1996; Maioni, 1996; Kennett, 1998). Using the example of post-secondary education, Norrie (1994: 167) asserts that 'provincial governments have little incentive to plan their social policies with the residents of other jurisdictions in mind'. Because 'educated workers are more mobile inter-provincially' it is noted that upon completion of

post-secondary education, individuals may relocate to a different province in search of employment opportunities (Norrie, 1994: 167).

In a similar vein, Kennett (1998: 17) examines the incentives for intergovernmental co-operation and he asks: 'Why would the provinces voluntarily agree to restrictions on their policy-making autonomy in the area of social policy?' Kennett (1998: 17) addresses the issue of interdependencies of policies where decisions made in one jurisdiction 'affect the policies or residents of another'. It is noted that policies created in one province may make good sense to that government, yet such a policy decision may have less optimal results in another province.

Kennett (1998) uses the example of social assistance provision to illustrate this point, noting that it is not unusual for unemployed workers to travel across the country in search of new employment. Before they are successful in finding jobs, however, the 'entered' province bears a cost that the 'exited' province would otherwise have to take responsibility for. The entered province may decide to restrict or reduce benefits. Why would the entered province want to save the province exited that cost?

Yet, according to Kennett (1998), provinces that make social policy decisions based on saving costs in the short-term do so at the risk of undermining both labour market flexibility and pan-Canadian unity. This example points to challenges that may be encountered when attempting to encourage provincial action which benefits the nation as a whole, when both political and economic logic gives incentives to provincial governments to capture short-term provincial gains.

In contrast, Schwanen (1996), and Noël (1999), argue that inter-provincial arrangements to oversee national concerns such as standards and equity are preferred to centralised federal authority over such national issues. Schwanen (1996: 12) holds that while it is important for governments to acknowledge ‘a range of reciprocal obligations’ (including harmonising policy and standards, and maintaining some measure of redistribution) it is not necessary for these obligations to fall under the authority of the federal government. Though agreeing that productive decision-making and a means of enforcement are imperative, Schwanen (1996) is concerned that a predominant federal government role will curtail efficient economic relations between provinces. Noting that economic interests vary significantly across the country, Schwanen (1996) states:

To the extent that some regions perceive that common decision making institutions do not adequately represent their interests, they tend to view centralizing initiatives – even those that could, in principle, be better conducted from the centre – with suspicion. The danger is that this perception could lead to less effective federal economic policies. If current discussions on the shape of Canada’s political institutions resulted in a sense that regional interests were better represented in the economic union, the union would work more effectively.
(Schwanen, 1996: 13)

A similar argument is put forward by Noël (1999), who asserts that it may be too difficult to achieve consensus at a national level given the absence of a single political community. Therefore, negotiation and binding agreements between the provinces may provide the best hope in reaching consensus; hence, ‘decentralization, not centralization, may be needed to protect and improve Canadian social policies’ (Noël, 1999: 215).

The development and enforcement of federal-provincial or inter-provincial agreements is considered to be highly necessary to maintain national standards and equity by a number of commentators (Schwanen, 1996; Gibbins, 1996; Maioni, 1999; Noël,

1999). Yet, as discussed, there are differing perspectives about whether intergovernmental co-ordination concerning these matters should be centralised at the federal level or decentralised to the provinces. What does seem clear is that arguments both for and against decentralisation suggest that the differential wealth and regional diversity among provinces challenges inter-provincial and federal-provincial consensus on national matters regarding standards and equity.

Decentralisation and effects on policy

Decentralisation is sometimes encouraged because of the perceived negative effects of centralisation. For example, Lindquist (1994) suggests that advocates of decentralisation perceive the centre as a magnet for power. As a result, power is withheld from those participants and formal and informal bodies situated away from the centre, and for whom central decisions have considerable consequences. Stakeholders who reside outside of the centre are receivers and they implement decisions that are designed and based on objectives determined by the centre. On this matter, Lindquist (1994) notes:

In this view, the centre is incapable of monitoring and comprehending the diverse reality beyond its immediate confines and, as a result, imposes counterproductive and demeaning rules and controls, and sometimes causes decision-making gridlock. The centre loses sight of what and who is to be served, becoming more interested in the means than the ends, because the means are more familiar.
(Lindquist, 1994: 418)

Thus, decentralisation, whether it is administrative or legislative, is called for to overcome problems related to the centre's inadequacy in relation to 'determining local needs, encouraging innovation and responsiveness to citizens, and furthering autonomy and democracy' (Lindquist, 1994: 418). The perception is that decentralisation is

associated with ideals of independence, autonomy and meeting the diverse interests of citizens. However, Fesler (1965) suggests that it would be an error to simply assume that decentralisation will promote fairness, creativity, and greater effectiveness. The capacity inherent in either central or peripheral bodies to function given the new arrangements that accompany decentralisation needs to be considered (Fesler, 1965; Linquist, 1994). This has relevance for this thesis, as an issue critical to Nova Scotia was that the province had little policy and fiscal capacity to take on devolved powers.

Arguments for decentralisation include the premise that autonomy and flexibility can lead to better-targeted policies that are sensitive to local needs (Schwanen, 1996; Keating, 1999; Noël, 1999). It is sometimes held that the federal government is less proficient than provincial governments in discovering what the local needs are, and in making good decisions about the most effective and efficient ways to intervene. Local government is preferred largely because of its ability ‘to react to particular substantive differences in the preferences of citizens’ (Benz, 1987: 128).

Using the example of labour market needs, it is argued ‘a labour market policy that is integrated and sensitive to market realities is only possible at the local level and must be based on concertation [sic] at the local and provincial levels’ (Noël, 1998: 262). One of the benefits reaped from provincial autonomy include a closer alliance between government and its citizens because of the local proximity of government (Boychuck, 1996). It is assumed when local governments and citizens have greater accessibility to each other, citizens can let their needs be known, and governments can respond accordingly.

Also, Richards (1998) suggests that greater competition emerges in the public sector when decentralisation occurs. Furthermore, experimentation will vary from province to province, and this has been argued to have long-term benefits of encouraging entrepreneurial behaviour in public services and policy formation. One idea is that innovations in some provinces will be favoured by the electorate and replicated in other provinces. In sum, many advocates of decentralisation make the point that provincial autonomy fosters experimentation and innovation (Cameron, 1994; Boychuck, 1996; Schwanen, 1996; Noël, 1999).

A frequently cited Canadian example of the benefit of the experimentation resulting from decentralisation and provincial autonomy is the development of Medicare in Saskatchewan in 1947, prior to being integrated into the federal government mandate and dispersed across the country. On this issue, Maioni (1999) notes the influences of partisan politics and Canada's federal system, and comments:

Partisan politics are important because it was a political party on the left, namely the CCF-NDP (Co-operative Commonwealth Federation-New Democratic Party) in Saskatchewan, that inaugurated the first government-sponsored hospital insurance (1947) and medical insurance (1962) systems in North America. The success of these innovations, combined with the political pressure exerted by the CCF-NDP's federal counterpart, was pivotal in convincing successive Liberal governments to deploy the federal spending power on condition that the provinces would agree to design hospital (1957) and later medical (1966) insurance systems largely inspired by the Saskatchewan model.
(Maioni, 1999: 98)

Banting (1998) argues that although the Medicare experiment in Saskatchewan is a good example of the positive results of provincially induced policy innovation, it would have been very unlikely that all other provinces would have replicated the plan independently. Rather, it is asserted that the post-war social union represents a 'pan-

Canadian compromise' of ideals between 'more reformist provinces' and 'more conservative provincial governments' (Banting, 1998: 52). Furthermore, Banting (1998: 51) argues that the pan-Canadian framework of the post-war social union 'contributed to higher levels of equity and efficiency in the design of the welfare state' compared to what could have evolved from a more decentralised system.

Calls for greater decentralisation are often accompanied by fiscal concerns related to potential waste and misuse of government funds. The influence of decentralisation and centralisation on effectiveness and efficiency of policies is illustrated by the debate on overlap and duplication of policies and programmes. Concerns about overlap and duplication between federal and provincial governments began to grow in the early 1990s, in response largely to debt and deficit problems encountered by both levels of government (Lindquist, 1999).

This is not to say that these concerns had never existed earlier. In 1937, the federal government called for the Rowell-Sirois Royal Commission of Inquiry to investigate a number of matters including mounting concerns pertaining to overlap of services among federal and provincial jurisdictions. Although, as noted earlier, constitutional division of responsibility in Canada tends to be exclusive, overlap and duplication in these areas are far from rare (Government of Canada, 1992).

Examining the consequences of overlap, it is argued that fiscal concerns are particularly evident in the costs associated with administration, and the greater resources needed to support the co-ordination of intergovernmental operations (Government of Canada, 1992). However, there are conflicting points of view on the potential

consequences of overlap for citizens. A federal government document pertaining to overlap states:

Some feel that overlapping causes members of the public to have less control over their governments. When governments keep throwing the ball back into each other's court, it becomes more difficult for the public to single out the level of government that is at fault. Overlap can therefore reduce the level of government responsibility. Others believe, however, that overlap has some positive aspects. They feel that the public interest is better served when there is federal-provincial overlap and that competition between the two levels of government enhances the quality of the services provided, as is the case in the private sector.
(Canada, 1992: 4-5)

Solutions to overlap and duplication between the two levels of government often involve either administrative or legislative decentralisation. Additionally, it has been noted that from the provincial perspective, responding to overlap and duplication may be seen as federal 'offloading' of responsibilities. It has been suggested that poorer provinces, might be particularly worried about assuming greater responsibility which could precipitate an increase in costs being passed down to the provincial level (Meekison, 1999). The fear that greater responsibility associated with the devolution of labour market policy would increase provincial costs is relevant to this thesis. This concern was expressed by Nova Scotia and will be discussed in Chapter 7.

However, the problem of overlap and duplication has been frequently cited by provinces as a reason why the federal government should 'delegate or cede powers' (Lindquist, 1999: 36). Lindquist (1999: 37) reviewed several studies that attempt to measure the problem, and concludes that the debate on overlap and duplication is 'sterile and misleading'. According to Lindquist's (1999) review, these studies fail to provide empirical evidence and seem to support instead, arguments on the sides of either provincial autonomy or the importance of a federal presence.

Overall, Lindquist (1999) suggests that overlap and duplication should not be condemned based on disputes over jurisdiction and fiscal savings, but that it is important to understand the issues more clearly in order to manage overlap. Lindquist (1999) concludes that overlap and duplication are neither inherently beneficial nor harmful, but rather what is needed is greater clarity of roles and responsibilities including the federal-provincial interdependencies germane to the complexities of Canadian federalism.

This section of the chapter has addressed the debate over decentralisation. This thesis argues that faced with the option to devolve labour market policy, federal and provincial governments are influenced by potential costs and benefits that might be incurred by them. Federal and provincial governments' positions on devolution of labour market policy might resonate with the decentralisation-centralisation debate reviewed in this chapter.

Case study: Devolving labour market policy in Canada

The last section of this chapter will examine the case study investigated in this thesis. In the previous sections of this chapter, concepts pertaining to decentralisation and devolution were examined. Further, these concepts and the decentralisation-centralisation debate have been explored in the context of the Canadian federal state. This has provided background information for the examination of the federal government's official proposal to devolve labour market policy to provincial governments in 1996.

The Employment Insurance (EI) Act (1996) set the parameters for the federal proposal. This Act replaced the Unemployment Insurance Act (1971) and the National Training Act (1982). The 1996 Employment Insurance Act is divided into two parts.

Part I outlines the legislation for the passive income benefit and Part II addresses active employment policies.

The new Act reformed unemployment legislation. Reforms to Part I of the new EI Act (the income benefit), introduced significant programme constraints reflecting a continuing trend that began in the 1970s and 1980s (Battle, 1998). Access to the income benefit was limited through much tighter eligibility rules, reduced benefit amounts, and shorter benefit periods (Battle, 1998). These reforms are part of a trend in federal fiscal restraint in the 1990s. This is significant for this thesis because provincial reaction to federal restraint pressured status quo federalism, and at least to some extent, influenced the federal proposal for devolution.

Part II of the EI Act introduced a series of active re-employment benefits to assist unemployed workers return to work. On May 30, 1996, the official federal proposal made to the provinces included the offer to transfer Part II activities, plus the possibility of forming new federal-provincial partnerships concerning the National Employment System (NES).

Faced with the opportunity for increased authority and responsibility for labour market programmes, provinces assessed the relative benefits and risks associated with different possible models. Basically, provinces could choose between the ‘full transfer’ and ‘co-management’ models. In the full transfer model, provincial governments make independent decisions (within the parameters of EI legislation) concerning the devolved federal programmes and corresponding funds. In contrast, in the co-management model, federal and provincial representatives make decisions jointly about the design and delivery of labour market programmes. In co-managed arrangements, labour market

programmes are still delivered by the federal infrastructure, but the province has a greater say in programme design and implementation.

The federal government allocated approximately \$1.95 billion to fund the new arrangement. Also, the federal government agreed to provide for administrative expenses for the delivery of services to EI clients in provinces where responsibility for active measures was transferred. The initial duration of each agreement was for three years with the provision that neither government could unilaterally terminate the arrangement earlier. Agreements could be renewed provided that the results accepted by both parties were achieved.

As outlined in the proposal, the re-employment benefits are as follows:

- Targeted wage subsidies to encourage employers to hire people and provide on-the-job experience;
 - Earning supplements to top up wages in order to encourage people to accept available work;
 - Self-employment assistance to enable people to start businesses and create their own jobs;
 - Job creation partnerships to create jobs based on local economic needs via partnerships with provinces/territories, private sector and local communities;
 - Skills loans and grants to assist people in acquiring new job skills.
- (Canada, Human Resources Development Canada, 1996a: 4)

As mentioned earlier, Part II of the legislation provided the framework for the proposal, including much of the content of the proposal, and federal expectations concerning issues such as accountability, priority of servicing EI clients, and respecting the Official Languages Act, among other important issues. The accountability framework is particularly important because it illustrates how the federal government was able to step back from direct involvement with labour market training, while retaining some

measure of control at arm's-length. Further details of the federal proposal will be examined in Chapter 5.

However, comments can be made on how the definitions concerning decentralisation are relevant to the information given about the proposal thus far. For example, the type of decentralisation is identified as an example of 'administrative decentralisation'. To begin, the devolved powers are established by intergovernmental arrangements. Legislative jurisdiction over unemployment insurance is assigned to the federal government, and the proposal devolves only part of the powers associated with this legislation.

On the other hand, the devolved authority and responsibility goes beyond the simple administration of policies for the federal government. Provinces with devolved arrangements are able to design and implement labour market policies according to local labour market issues. Thus, the federal government has minimal control over provincial authority to implement Part II labour market policies.

However, neither the EI Act 1996, nor the federal proposal alters the exclusive federal jurisdiction over unemployment policy. Notwithstanding the substantial control and authority pertaining to EI Part II activities devolved to provinces, the framework of the federal proposal determines, for example, eligibility criteria. Although provincial governments can use EI Part II funds to meet the labour market training needs of, for example, social assistance clients, the majority of clients served must be eligible for EI Part I (the passive income benefit). As will be reviewed in the case study chapters, the criteria for eligibility were debated at length during the federal-provincial bilateral negotiations in Alberta and Nova Scotia.

There is significant asymmetry among the Labour Market Development Agreements (LMDAs) reached in the mid- to latter part of the 1990s. For this reason two federal-provincial agreements will be examined in this thesis. Two case studies of divergent experiences of Canadian federalism, generally, and different models of federal-provincial agreements, specifically, are explored in Chapters 6 and 7.

The federal government, represented by the Department of Human Resources Development Canada (HRDC), began to negotiate bilateral labour market agreements with provinces shortly after the official proposal was announced. The Canada-Alberta Labour Market Development Agreement (LMDA) was signed December 6, 1996 and the Canada-Nova Scotia LMDA, otherwise referred to as the Canada-Nova Scotia Agreement on a Framework for Strategic Partnership, was signed April 24, 1997.

Conclusion

This chapter defined terms relevant to this thesis including, centralisation, decentralisation, devolution, and deconcentration. An examination of the types of decentralisation concluded that the case study of devolution investigated in this thesis is an example of administrative decentralisation. Also, the extent of decentralisation in Canada was examined. Watts' (1999) analysis that finds Canada to be a relatively decentralised federal state was reviewed. Comparisons with other federal states suggest that although in some respects Canada is less decentralised than other states, it is one of the most decentralised states.

However, in the policy area that concerns this thesis, Canada is relatively centralised. As reviewed in this chapter, the federal proposal for devolution involves

unemployment policy that falls exclusively under federal legislative jurisdiction.

Consequently, the federal proposal to devolve Part II of the Employment Insurance Act 1996 is quite significant.

To understand why federal and provincial governments might either encourage or avoid decentralisation and devolution, the debate over centralisation and decentralisation was examined. This debate was presented by examining arguments that support different kinds of governmental arrangements and the resulting implications for national issues pertaining to standards and equity. This section concluded that consensus on these issues is difficult to achieve; and that, regional diversity and economic disparity across provinces serve to challenge both centralised and decentralised arrangements to oversee national concerns.

Also reviewed were arguments that supported decentralisation based on policy benefits. Here, decentralisation is supported because it is seen as encouraging flexibility in federalism, through promoting provincial policy experimentation and innovation. Arguments that suggest that decentralised policies are more effective and sensitive to local concerns than centralised policies were presented. Also addressed were arguments in favour of decentralisation that suggests decentralisation results in greater efficiency.

Furthermore, the chapter described the details about the official federal proposal to devolve labour market policy to provinces. The significance of studying labour market policy stems from the fact that it exemplifies a policy area that is relatively centralised within a country that is representative of a relatively decentralised federation. Further, though employment policy falls under exclusive legislative federal control, there is a notable degree of federal-provincial disagreement about jurisdictional authority

concerning this policy sector. For example, Quebec and Alberta argue that labour market policy is largely a provincial concern because it is viewed as an extension of the exclusive legislative provincial control over education. Thus, the value in choosing labour market policy is that it serves as an interesting case study from which to observe the impact of devolution.

Knowledge about decentralisation and devolution in the Canadian context reviewed in this chapter will inform the case study of devolution investigated in this thesis. In particular, nation-building and province-building are exemplified in the federal and provincial positions taken by the governments studied in this research. Moreover, diverse regional experiences of Canadian federalism are reflected in the divergent influences of provincial decisions about the proposal to devolve labour market policies to provinces.

Chapter 4 will address the methodology of the research. Following this, the thesis will present three case study chapters that examine primary and secondary evidence with respect to the research questions and hypotheses.

Chapter 4

Methodology

Introduction

This thesis employs a research focus that is largely qualitative and interpretive in nature, and it draws on interpretive and constructivist approaches to inquiry. This research adopts a constructivist approach to seek comprehensive, and in-depth knowledge about federal and provincial perceptions, positions, and the policy processes that lead to decisions on devolution. This chapter will begin with a review of the main research questions and the thesis. Triangulation of methods and data sources will be discussed early in the chapter.

Next, the strengths and limitations of quantitative and qualitative methods will be addressed, and will be followed by an examination of positivist and phenomenological research paradigms. This section of the chapter will contrast positivism with the interpretive and constructivist approaches. Comparisons across research orientations are offered as the basis for discussing the justification of choice of methodology. This chapter will then review other issues related to methodology, including the case study approach; the instrument used and procedures followed to collect data; sampling and recruitment strategies; civil servants as study subjects; limitations of the methodology; and ethical considerations.

Research questions and main thesis

As mentioned at the outset, this thesis investigates the devolution of labour market policies from federal to provincial governments, in Canada, in the mid- 1990s. A central objective of this research is to examine the influences on federal and provincial governments' decisions about devolution. The thesis asks: How do federal and provincial governments perceive and respond to devolution, and what influences these positions?

The main thesis of this research, it will be recalled, is that the devolution of governmental power and authority, as illustrated by this policy case study in Canada, is driven primarily by political interests, and that pressures concerning the public interest- are secondary.

Triangulation of method and data sources

In attempt to account for measurement error, specifically systematic error, this study employs the principle of triangulation. Triangulation refers to (a) the utilisation of different sources of data, and (b) the utilisation of more than one research method to collect data (Rubin and Babbie, 1997; Huberman and Miles, 1998; Fontana and Frey, 1998; Janesick, 1998).

While recognising that no method will completely avoid measurement error, Rubin and Babbie (1997) hold that when different methods garner similar results, confidence in these results is increased. Also, as noted by Morse (1998: 64, 66), employing more than one method allows the researcher to examine phenomena through

‘different “lenses” or perspectives’ and thereby benefit from ‘a more holistic view of the setting’.

In this study, through the utilisation of two research methods, namely, semi-structured qualitative interviews and analyses of documents, data are drawn from two sources: (a) from knowledgeable respondents, and (b) from a variety of relevant documents and related research. Researchers are in a better position to evaluate the credibility of results when they use different ‘independent measures and sources of the same phenomenon’ (Huberman and Miles, 1998: 199).

As just noted, this thesis examines both primary and secondary evidence. Interviews with federal and provincial civil servants from two provinces constitute the primary evidence investigated in this thesis. And, the secondary evidence examined, includes the actual Labour Market Development Agreements (LMDAs) and other federal and provincial documents related to LMDAs, political speeches, and media reports. In addition, secondary evidence is drawn from researchers who have studied devolution and the LMDAs (Bakvis, 1996 and 2002; Haddow, 1995; Klassen, 2000; Lazar and Stoyko, 2001; Rocher and Rouillard, 1996).

Contrasting approaches to inquiry

Following a review of qualitative and quantitative methods to inquiry, the chapter will discuss why the current research is best suited to the former approach. A key strength of qualitative research is the comprehensiveness of perspective it gives to the researcher. A deep, full, and detailed understanding of the phenomenon under study can be achieved by going directly to that social phenomenon, and observing it as completely as possible

(Patton, 1990; Rubin and Babbie, 1997). Qualitative research is especially appropriate to the study of those topics for which attitudes and behaviours can be best understood within their natural settings.

A major strength of quantitative research is the ability to gather data on a limited number of predetermined questions from many individuals, and consequently allowing for statistical calculation, and rigorous comparison of findings (Patton, 1990). Thus, findings from quantitative research are often able to be generalised to individuals or cases other than those observed in the initial study.

Qualitative methods, on the other hand, tend to gather large amounts of detailed data from a smaller number of individuals and cases compared to protocol followed in quantitative methods (Patton, 1990). According to Tutty et al. (1996), compared to quantitative research, qualitative research tends to be more subjective, and less able to generalise results across populations. Qualitative research rarely produces unquestionable descriptions and findings about populations and cases, and in general, 'the conclusions drawn from qualitative field research are often regarded as suggestive rather than definitive' (Rubin and Babbie, 1997: 414).

As just mentioned, qualitative researchers seek an in-depth perspective of the subject under study. And consequently, they can achieve a remarkably comprehensive understanding of the subject of study. However, such comprehensiveness limits generalisation of results (Rubin and Babbie, 1997). Yet, while generalisation of results is very restricted, largely because of limitations on objectivity, it is these characteristics of qualitative research that enhance its flexibility and depth.

Research paradigms

Alternative approaches to research are grounded in particular ‘philosophical assumptions and principles’ that provide ‘broad frameworks’ to guide both the focus and process of research. (Neuman, 1997: 60-61). As suggested by Neuman (1997), approaches to research serve to:

link abstract issues in philosophy to concrete research techniques. They proscribe what good social research involves, justify why one should do research, relate values to research, and guide ethical behaviour.
(Neuman, 1997: 61)

According to Patton (1990), divergent positions and values concerning the preferred way to carry out research have concentrated on the debate over two essentially diverse approaches to inquiry. Where logical-positivism relies primarily on quantitative methods ‘to test hypothetical-deductive generalizations’, phenomenological research inquiries employ qualitative methods ‘to inductively and holistically understand human experience in context-specific settings’ (Patton, 1990: 37).

In recognition that research is embedded in values, the qualitative researcher is responsible for stating the ideological guides or influences that dictate the parameters of the study (Janesick, 1998). To this end, it is essential for researchers to identify the paradigm that guides their research. Gould (1999: 69) asserts, that the paradigm embraced by the researcher ‘has important consequences not only for the conduct of the inquiry but also for the interpretation of findings’.

Positivist and phenomenological research paradigms can be distinguished by explicating the epistemological, ontological and methodological assumptions inherent in

each paradigm. Such an examination can help to assess the suitability and fit between the choice of paradigm and the purpose and intent of the research project. Discerning and evaluating the marked differences among paradigms have been likened to ‘paradigm wars’ (Gage, 1989: 4). Alternatively, a less confrontational metaphor can be adopted by viewing paradigms as ‘competing’ with one another (Guba and Lincoln, 1998: 195) and eventually leading into a ‘paradigm debate’ (Gould, 1999: 69).

This section of the chapter will review the prominent differences between positivism and phenomenological approaches such as constructivism by drawing primarily from investigations by Guba and Lincoln (1998) and Neuman (1997).

Guba and Lincoln (1998) examine the long-standing positivism paradigm and three other paradigms that they purport to be in various stages of development. Particularly noteworthy is the marked difference between positivism and the other three paradigms, namely postpositivism, critical theory, and constructivism.

Using a similar framework as that employed by Guba and Lincoln (1998), Neuman (1997) compares positivism with critical and interpretive approaches to social science. Some of the perspectives subsumed under the interpretive approach as seen by Neuman (1997) include constructionism, hermeneutics, phenomenology, and symbolic interactionism.

To begin, following Neuman’s (1997) framework, the purpose of research is determined by the approach adopted. With respect to the positivist approach, the primary purpose of research is to pursue and reveal ‘explanation - to discover and document

universal laws of human behaviour' thereby enabling the prediction and eventual control of occurrences in the world (Neuman, 1997: 63).

Guba and Lincoln (1998) argue that the positivist assumption that researchers will become more proficient in predicting and controlling social phenomena is reductionist, and deterministic in nature. Moreover, Guba and Lincoln (1998: 211) challenge what they see as the positivist paradigm's tendency to falsely elevate the importance of the researcher, noting that 'the inquirer is cast in the role of "expert", a situation that seems to award special, perhaps even unmerited, privilege to the investigator'.

As suggested by Neuman (1997), in contrast to the positivist approach, the purpose of research as seen through the lens of the interpretive approach, is to generate knowledge about social life through the views and beliefs of those who are engaged in the world. According to the interpretive approach, meaning is constructed, and therefore the goal of research is to understand the process of how people perceive, interpret, and create meaning. In a similar manner, Guba and Lincoln (1998) hold that the principle aim of constructivist inquiry is to understand and reconstruct:

the constructions that people (including the inquirer) initially hold, aiming toward consensus but still open to new interpretations as information and sophistication improve.
(Guba and Lincoln, 1998: 211)

Furthermore, Neuman (1997: 69) asserts that the interpretive researcher 'must take into account the social actor's reasons and the social context of action'. And because meaning is constructed, the process of meaning making must be observed and extrapolated.

The interpretive view that reality remains unfixed and instead is constructed, and reliant upon context, is appropriate for the research undertaken in this thesis, because governments are influenced and motivated by constantly shifting influences. Civil servants and politicians vie among their respective groups, and with each other, to interpret and define these events and influences in ways that correspond to their particular values, interest and world views. Moreover, influential factors are complex, and determined by historical circumstances and events. The purpose of this research is to examine various interpretations concerning why governments take particular positions that lead to specific decisions about devolution.

The answers to questions pertaining to the nature of reality, known as ontological inquiries, are determined by the research paradigm adopted. According to Neuman (1997), the ontological question from the perspective of positivist researchers is that not only does reality exist but also it can be known. Positivism assumes that reality is not haphazard; rather it is ordered and governed by sets of rules that have always existed.

From the perspective of this paradigm, it is the task of the researcher to discover these rules, and hence employ them to explicate reality. Furthermore, reality can remain stable and is accumulative in nature, which implies that reality can be broken down, and then made whole again without altering its true state. Guba and Lincoln (1998: 204) describe the positivist approach to the ontological question as ‘naive realism’ whereby ‘knowledge of the “way things are” is conventionally summarized in the form of time- and context-free generalizations’ (Guba and Lincoln, 1998: 204).

In contrast to the positivist approach that sees reality as existing apart from people or in the absence of particular human interactions, the answer to the ontological question

as viewed from the interpretive approach, holds that social reality is ‘intentionally created’ through social actions (Neuman, 1997: 69). In fact, according to Neuman (1997), the interpretive approach maintains that reality exists only as a function of human existence and purposeful social intent. Neuman (1997) states:

for interpretive researchers, social reality is based on people’s definitions of it. A person’s definition of a situation tells him or her how to assign meaning in constantly shifting conditions.
(Neuman, 1997: 69)

Neuman (1997) points to the positivist assumption that the conception of meaning is held constant for all people, and therefore all people share a common experience of the world. Contrary to this view, the interpretive approach presupposes that while a commonality of meaning and experience of social life may occur, they may just as likely differ- as it is possible for many such meanings and experiences to coexist (Neuman, 1997). With reference to this thesis, divergent governmental experiences of federalism may translate into multiple interpretations of meanings associated with devolution. And therefore, federal and provincial governments may have different views on the significance of the federal proposal.

Guba and Lincoln (1998) describe the ontological assumptions of constructivism in a similar way to Neuman’s (1997) conception of the interpretive approach. For Guba and Lincoln (1998), the constructivist paradigm assumes a ‘relativist’ ontological position, whereby realities are:

apprehendable in the form of multiple, intangible mental constructions, socially and experientially based, local and specific in nature (although elements are often shared among many individuals and even across cultures), and dependent for their form and content on the individual persons or groups holding the constructions.
(Guba and Lincoln, 1998: 206)

Yet, because various actors construct realities differently, no single reality actually exists (Guba and Lincoln, 1998). In other words, multiple realities are dependent upon and relative to particular social actors who build, maintain, and project divergent constructions. There are no realities or constructions that are more or less true than others, 'but simply more or less informed and/or sophisticated' (Guba and Lincoln, 1998: 206).

In contrast to positions on ontology, epistemological considerations have to do with the relationship between the researcher and phenomena that can be known. According Guba and Lincoln (1998: 204), positivism can be described as 'dualist' and 'objectivist'. In other words, positivism holds that reality is objective, external to, and independent from the researcher. Therefore, following the assumptions of positivism, a researcher can study a subject and have no effect on the results; and likewise, the subject of study has no effect on the researcher. Threats to validity, such as 'values and biases' are reduced or eliminated by rigorously following prescribed steps in the research process (Guba and Lincoln, 1998: 204). Moreover, when findings are replicable they are known to be 'true' (Guba and Lincoln, 1998: 204).

In contrast to positivism, constructivism assumes a significantly different epistemological position. Guba and Lincoln (1998: 207) describe constructivism as 'transactional' and 'subjectivist'. The researcher and focus of study are 'interactively linked' and findings are created (or constructed) as the study proceeds (Guba and Lincoln, 1998: 207). Similarly, Schwandt (1998) holds that constructivism assumes that knowledge neither pre-exists- nor is independent from the researcher, rather, knowledge is subject to the researcher's active processing of constructions.

Methodological issues flow from the assumptions held within each paradigm. Paradigms can be differentiated according to positions taken on how the researcher approaches knowledge. In regards to methodology, according to Guba and Lincoln (1998: 204), positivism is ‘experimental’ and ‘manipulative’ whereby hypotheses are ‘stated in propositional form’ and empirically tested. The focus is on the control or manipulation of variables to prevent confounding effects.

Contrary to positivism, constructivism’s approach to methodological considerations is ‘hermeneutical’ and ‘dialectical’ (Guba and Lincoln: 207). Constructions are ‘elicited and refined only through interaction *between and among* investigator respondents’ (Guba and Lincoln, 1998: 207). Constructions are interpreted and contrasted through an interaction of conflicting ideas. The primary goal is to reach a ‘consensus construction’ that is more informed and sophisticated than prior constructions (Guba and Lincoln: 207).

Justification for the methodology

It is argued that the interpretive - constructivist paradigm and qualitative methods are appropriate for this study for many reasons:

(a) As mentioned earlier, the purpose of this research is to elicit constructions and interpretations about what influences governments’ actions. In this study, it is less important to be able to generalise results to other countries, for instance- than it is to seek comprehensive, and in-depth knowledge about such influences.

(b) The information sought in the study is difficult to access because largely, the negotiations were government-to-government activities that took place behind closed doors. Only outcomes- that is, the final decisions of provinces to either accept or decline devolution, and the type of model/agreement eventually adopted is general knowledge available to the public. Yet, what is less understood are the perceptions and positions, and policy processes, upon which these final decisions were based. This research seeks to understand those issues that governments determined to be most salient, and eventually influenced decisions pertaining to devolution. Federal and provincial governments have unique experiences within Canadian federalism, and how these experiences affected decisions about devolution are questions central to this study.

(c) Even though the final agreements are public documents, there is a lack understanding about them. For example, many of the Nova Scotia respondents commented on the lack of clarity across the country about their agreement. Respondents noted that federal and provincial officials in other parts of the country refer to the Nova Scotia agreement as a co-managed model. And, such is not the case- as the Nova Scotia agreement is the only one of its kind in Canada. Other respondents commented that the uniqueness of the agreement between Canada and Nova Scotia was counter to the preferences of the federal government. The federal government was believed to prefer symmetry across the country, and 'provinces being too different' from each other- was a concern. All these examples of mixed perceptions and views suggest that, the constructivist paradigm and qualitative method are more appropriate in this study, which seeks to explore and explicate the nuances and uniqueness of these two agreements, than quantitative methods based on a positivist paradigm.

Notwithstanding this point, a quantitative method and a more 'positivist' approach could have been followed. For instance, a quantitative survey method could have been employed to measure respondents' input using a Likert-scale instrument. A survey questionnaire could have been constructed to measure both political and public interest influences of federal and provincial governments' decisions about devolution. However, even a highly comprehensive instrument could not cover (or predict) all the nuances of such influences. Respondents' answers would be limited and constrained by the questions asked and the scale provided. A quantitative instrument would fail to reveal the in-depth and detailed account about why governments made particular decisions about devolution.

(d) This study assumes that the priorities and influences on governments' decisions about devolution are illustrated through the negotiations. It is further assumed that perceptions and opinions related to this process are subjective, and relative according to differing experiences among governments. Quantitative methods can to some extent at least control for and avoid subjectivity. In contrast, qualitative methods allow for subjectivity in the process of inquiry. Civil servants' interpretations about why governments have particular expectations and attitudes towards devolution, is perhaps best accessed through qualitative methods that can explore respondents' perceptions based on personal knowledge, experience and expertise.

In the case of the present study, it is judged that a constructivist qualitative approach is best suited to reveal the influences, and unique nature of the types of labour market agreements reached. Compared to the methods adopted, the goals of this research may be much more difficult to achieve using, for example, a quantitative method such as a survey approach.

Case study approach

According to Hague et al. (1992: 459), the case study encompasses a 'detailed study of a specific example within a broader category'. This thesis seeks to shed light on how devolution of a relatively centralised policy is managed in a federal system that is relatively decentralised and one in which considerable provincial autonomy exists.

This study investigates the experiences and decisions of the federal government in Canada and two provincial governments in relation to a proposal for devolving authority from federal to provincial jurisdictions. In this examination, the experiences and decisions of one federal, and two provincial governments, are treated as individual case studies. As noted by Stake (1998: 86), a 'case study is not a methodological choice, but a choice of object to be studied'. The case is envisioned as a 'bounded system' (Smith, 1978: 316) and its parts are arranged or integrated in a functional, patterned, and purposeful way (Stake, 1998).

Stake (1998: 88), suggests that 'the case is of secondary interest' as it facilitates the growth of knowledge about a separate phenomenon. In a similar vein, Hague et al. (1992) and Landman (2000) note that while a study of one country is not in itself a comparative approach, common trends can be detected through examining individual case studies of several countries; and thus, case studies 'provide most of the raw material for comparative politics' (Hague et al., 1992: 37).

Stake (1998: 89) might describe the case study approach followed in this research as an, 'instrumental study' broadened to different cases, and thereby classify it as a 'collective case study'. An instrumental case study seeks to build knowledge and refine

theory. In this study, three individual case studies of governments' experiences facilitate knowledge and theory building pertaining to the political and public interest influences of governments' positions on devolution.

Purpose and method

This study seeks to understand the influences of federal and provincial governments' priorities and decisions regarding devolution. The federal government's proposal to devolve labour market policies to provincial governments offers one such opportunity to investigate this issue. This research studies the influences of the devolution of labour market policy by investigating the initial federal proposal, and two federal-provincial labour market agreements. This research examines the circumstances influencing the federal proposal and the federal positions asserted in the labour market negotiations. In addition, two federal-provincial agreements are investigated.

The two provinces chosen to examine provincial positions on devolution are Alberta and Nova Scotia. These provinces were selected primarily because they illustrate different devolution settlements. Furthermore, these provinces represent contrasting provincial experiences within Canada. Nova Scotia's population is much smaller, and it has a much higher rate of unemployment as compared to Alberta. In contrast to Alberta, Nova Scotia is significantly less fiscally independent from federal income transfers. Furthermore, Alberta is one of the wealthiest provinces in the country, and it boasts one of the lowest unemployment rates in Canada.

Given these distinctive provincial conditions, and experiences within Canadian federalism, it is speculated that a comparison between Alberta and Nova Scotia will offer

important insights regarding potentially divergent positions on devolution, and the particular influences and circumstances that lead to these positions. The federal proposal is examined in Chapter 5, and Alberta and Nova Scotia's experiences of the proposal for devolution, and the labour market negotiations are discussed at length in Chapters 6 and 7, respectively.

Sampling: Introduction

A total of 24 respondents were interviewed in this study. Three elected officials were interviewed early in the study to familiarize myself with devolution in the context of authority and decision-making shifting from federal to provincial jurisdictions. While these elected officials were very helpful in providing background knowledge pertaining to federal-provincial dynamics, and governmental motivations related to the concept of devolution, they were not able to provide much information on how these issues are illustrated by the labour market development agreements.

The primary sample is comprised of 21 federal and provincial servants. In contrast to the interviews with elected officials, interviews with civil servants who were knowledgeable about the federal proposal and the development of the bilateral labour market development agreements provided extensive information about federal and provincial motivations and priorities as exemplified by this case study example of devolution. Given the rich and detailed information that was obtained through the initial interviews with civil servants, I decided to concentrate my efforts on pursuing further interviews with civil servants who had knowledge and experience pertaining to the development of labour market agreements. Later in this chapter, the rationale for choosing to interview civil servants will be elaborated on in greater detail.

In Alberta and Nova Scotia, federal and provincial governments engaged in negotiations that led to the labour market agreements. In both provinces, regional Departments of Human Resources Development Canada located in Edmonton, Alberta and Halifax, Nova Scotia represented the federal government.

In Alberta, the Ministry of Advanced Education and Career Development (AECD) was the designated governmental body to carry out the negotiations on behalf of the province. The federal-provincial negotiations commenced shortly after the federal government made the proposal for devolution on May 30, 1996. The negotiations continued for about six months. The Canada-Alberta Labour Market Development Agreement was signed on December 6, 1996.

In Nova Scotia, Community Services, Education, and Economic Development were identified as the key provincial ministries that were strongly related to labour market issues. Among all of the provincial ministries, these ministries were deemed most likely to be impacted by the labour market negotiations, and the eventual federal-provincial agreement. Community Services acted as the lead ministry, and was designated with the responsibility to carry out the labour market negotiations. Negotiations commenced in Nova Scotia in January 1997, and lasted approximately three months. The Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships was signed on April 24, 1997.

In both Alberta and Nova Scotia, federal and provincial governments appointed senior civil servants to provide leadership for each of the negotiation teams. In both provinces, the head person in charge for the federal government was the Regional Director General for Human Resources Development Canada. The provincial leaders in

charge in Alberta and Nova Scotia were respectively, the Deputy Minister for AECD, and a Senior Advisor for provincial Labour Market Development. All four team leaders who were appointed to head the negotiations were interviewed in this study. In Alberta, the negotiation team was equally made up of federal and provincial representatives. In pointed contrast, the Nova Scotia provincial team was much smaller, and one individual played a dominant role in representing the provincial interest during the negotiation meetings. This issue is elaborated on later.

Sampling strategies

Nonprobability sampling approaches were utilised in this study, namely purposive, quota, and snowball sampling strategies. Purposive samples are selected so that ‘certain types of individuals or persons displaying certain attributes are included in the study’ (Berg, 2001: 32). With purposive sampling, the researcher evaluates or judges the appropriateness of the sample based on knowledge about the population, and on the purpose of the study. Emory (1985: 280) notes that in purposive sampling, the researcher ‘handpicks sample members to conform to some criterion’. For example, this study seeks to understand the influences of federal and provincial governments’ priorities and decisions regarding devolution. Consequently, in this study, interviews were conducted with federal and provincial civil servants who were judged to have expertise concerning this example of devolution in two Canadian provinces.

In this study, it is assumed that federal and provincial civil servants who are knowledgeable about (a) the federal proposal (b) the labour market negotiations (c) and the details and circumstances of the ultimate agreement reached, have relevant experience, and information pertaining to the main questions pursued in this study. More

specifically, it is assumed that civil servants with these attributes have knowledge of events that illustrate the influences, and priorities of both levels of government. More detailed information about the respondents will be addressed in the next section of the chapter.

Purposive sampling is appropriate when the purpose is not to generalise findings to other populations, but instead, when researchers want to gain in-depth understanding about certain kinds of cases that represent differences across particular groups (Neuman, 1997; Rubin and Babbie, 1997). The present study does not seek to generalise its findings beyond the cases investigated. Also, this research does attempt to gain an in-depth understanding of these cases.

In addition, to ensure that the perspectives of both federal and provincial governments in two provinces were represented a quota sampling technique was employed. Typically, quota sampling is utilised when ‘the group or social processes under study has clearly defined categories of participants’ (Rubin and Babbie, 1997: 383). Such is the case with the present study, as clearly, the processes that led to the LMDAs involved two levels of government. To gain an understanding about the influences of government positions on devolution, it was critical to seek representation from both federal and provincial civil servants.

As discussed in greater detail later, most of the respondents for this study were identified with the help of key informants. In total, 16 respondents were identified in this manner. Efforts were made to interview additional civil servants knowledgeable about the negotiations and the development of the agreement. To this end, respondents who were interviewed were very helpful in identifying other individuals with similar expertise.

Just under one-quarter of the sample was accrued through the information provided by respondents other than the key informants. Therefore, in addition to purposive and quota sampling, a snowball sampling procedure was employed in the study.

Berg (2001) suggests that the snowball sampling technique is useful when trying to reach hard to access populations. This fits with the present study, as written documentation, such as minutes of the negotiation meetings that perhaps could have identified who was involved in the negotiations, were not publicly available. Neither the key informants nor the head of each negotiating team were willing to provide the actual minutes that recorded the negotiations.

Description of the sample

Respondents are viewed as possessing expert knowledge pertaining to the central questions addressed in this thesis. In general, respondents' perceptions, ideas and opinions are informed by their experience, and accumulative knowledge about (a) federal-provincial intergovernmental relations, and (b) federal and provincial labour market policy. Respondents are civil servants who hold positions as senior level managers, and they are responsible for overseeing portfolios related to labour market policy. Given their official positions and related knowledge and experience that accrued from thus, respondents were appointed by their respective governments with some measure of authority concerning the federal-provincial labour market development agreement for either Alberta or Nova Scotia. See Table 4A.

While Table 4A describes the positions held by respondents, it should be noted that respondents' responses are not identified in this manner. Rather, respondents' direct

quotes are identified by province, level of government, and an individual letter (A to U), in brackets following each quote. For example, the notations for Nova Scotia federal respondents will read: (NS-FD-letter) and notations for Alberta provincial respondents will read: (AB-PR-letter). Confidentiality of respondents' responses will be discussed later.

All of the federal respondents hold senior management positions in Human Resources Development Canada. This department was responsible for administering the Prime Minister's official proposal for devolution on behalf of the federal government. Provincial respondents hold senior management positions in ministries identified as potentially affected by the federal proposal and any future federal-provincial labour market agreement. Alberta provincial respondents are civil servants in the ministries of Advanced Education and Career Development and Alberta Family and Social Services. In Nova Scotia, provincial respondents are civil servants affiliated with Community Services, Education, the Science and Technology Secretariat, and the Labour Market Development Secretariat.

TABLE 4A

**OFFICIAL POSITIONS HELD BY ALBERTA AND NOVA SCOTIA RESPONDENTS
AND INTERVIEW DATES**

Alberta Provincial Civil Servants	Interview Dates
Director, Federal Provincial Relations	29 June, 2000
Advanced Education and Career Development	
Deputy Minister, Advanced Education and Career Development	26 July, 2000
Senior Manager, Family and Social Services	15 June, 2000
Assistant Deputy Minister, Advanced Education and Career Development	12 July, 2000
Alberta Federal Civil Servants	
Regional Director General, Human Resources Development Canada	12 July, 2000
Director of Consolidated Services, Human Resources Development Canada	10 July, 2000
Senior Manager, Human Resources Development Canada	10 August, 2000
Director, Human Resources, Human Resources Development Canada	6 July, 2000
Nova Scotia Provincial Civil Servants	
Senior Advisor, Labour Market Development Secretariat	30 October, 2000
Provincial Coordinator, Labour Market Development Secretariat	23 August, 2000
Senior Manager, Career and Transition Services, Ministry of Education	22 August, 2000
Regional Administrator, Ministry of Community Services	24 August, 2000
Senior Manager, Science and Technology Secretariat	23 August, 2000
Director, Employment Support Services, Ministry of Community Services	22 August, 2000
Nova Scotia Federal Civil Servants	
Regional Director General, Human Resources Development Canada	20 November, 2000
Senior Manager, Human Resources Development Canada	21 August, 2000
Manager, Planning and Evaluation, Human Resources Development Canada	24 August, 2000
Regional Manager, Information and Technology, Human Resources Development Canada	25 August, 2000
Director of Programs, Human Resources Development Canada	21 August, 2000
Director, Human Resource Centres of Canada, Human Resources Development Canada	21 August, 2000
Senior Manager, Labour Program, Human Resources Development Canada	24 August, 2000

All respondents self-identified as being knowledgeable about the federal proposal for devolution and the federal-provincial negotiations. All respondents offered opinions on federal and provincial governments' priorities and positions taken as a result of this proposal. It must be acknowledged however, that this knowledge and related expertise is based on different kinds of experience and involvement with the LMDA among respondents. To this end, it is necessary to be more specific about the foundation or sources of respondents' knowledge and expertise.

Respondents interviewed in this study are senior level federal and provincial civil servants who are deemed as being *knowledgeable about*, or, *knowledgeable about and involved in*, the development of the labour market agreement for their province, and the negotiations that led up to the signing of the Canada-Alberta or the Canada-Nova Scotia Labour Market Agreements.

The first category: *knowledgeable about the development of the agreement and the negotiations*, implies that respondents hold positions of bureaucratic authority and expertise that enables them to have access to information on the progress and issues affecting the negotiations, and the development of the agreement. Through provincial and federal briefings, these respondents were informed about issues relevant to the negotiations and the development of the agreement, such as options being considered. In some cases, respondents were asked to respond to drafts of the agreement. Respondents in this category tended to be involved in the policy development activities that prepared for the implementation of the Labour Market Development Agreements.

In contrast, the second category: being *knowledgeable about and involved in development of the agreement and the negotiations* implies that respondents were

assigned to represent their respective governments by directly participating in the discussions and decision-making processes during the official federal-provincial negotiations. These respondents had the opportunity to directly observe the positions taken by each level of government. Moreover, their knowledge about government positions is gained through contact with their respective elected officials who would need to be briefed following federal-provincial negotiation meetings.

Throughout the negotiation period, each of the four teams would update their respective ministers on the progress of reaching consensus on issues pertaining to the development of the agreement. Updating each team's governmental headquarters was crucial in planning for upcoming federal-provincial meetings as the approval or disapproval of particular matters would set the parameters for future negotiations.

In Alberta, a total of eight civil servants were interviewed. Four of these respondents are provincial- and four federal. All of the civil servants interviewed in Alberta are knowledgeable about and were directly involved in the official negotiations, and the development of the Canada-Alberta Labour Market Agreement. In Nova Scotia, of the thirteen respondents interviewed, seven are federal civil servants, and six are provincial. An explanation as to why significantly more civil servants were interviewed in Nova Scotia as compared to Alberta is warranted.

In Nova Scotia, most individuals directly involved in the negotiations were federal civil servants. Therefore, interviews with provincial civil servants who had knowledge about, but who were not directly involved in the negotiations, were carried out in an effort to obtain a more comprehensive provincial view. It was necessary to gain a fuller account of provincial perceptions about the influences, and positions held by federal and



provincial governments, than could be achieved through interviewing only those who were more directly involved in the negotiations.

Also, and as mentioned earlier, in Nova Scotia, the type of model eventually agreed upon was strikingly different compared to others across the country. In attempt to clarify how such a unique type of agreement was reached, it was necessary to interview additional respondents with that particular knowledge. Further, in Alberta, I had ready access to the two lead federal and provincial officials. In fact, these individuals were interviewed very early in the study. However, in the case of Nova Scotia, I had to search for these lead persons with the assistance of other respondents. Both persons were no longer in the positions they held during the time of the negotiations. Interviews with these lead Nova Scotia senior officials were conducted towards the end of the interviewing phase of the research.

In the Nova Scotia sample, all of the federal respondents except for one are knowledgeable about, and were directly involved in negotiations and the development of the agreement. In comparison, only one provincial respondent in the sample was directly involved in the negotiations. This is the individual who was appointed as head negotiator for the province. While about three other provincial officials attended at least some of the negotiation meetings, both provincial and federal respondents noted that the provincial lead person was the primary contact for the federal negotiating team members, senior civil servants from involved provincial ministries, and provincial elected officials. Provincial respondents described this person, for example, as a “one person team” (NS-PR-I), and the “the provincial architect of this agreement”(NS-PR-L). A federal respondent referred to this individual as the “chief negotiator” for the province (NS-FD-T).

The provincial lead for the negotiations ultimately led the Labour Development Secretariat, a provincial division established to manage the implementation of the labour market development agreement. As the designated provincial lead for the negotiations, this respondent was appointed quasi deputy minister status as she reported directly to the Minister of Community Services. Throughout the negotiations, the lead provincial negotiator worked with the three deputy ministers of the affected ministries, notably Community Services, Education, and Economic Development, to build consensus around provincial decisions regarding the agreement. In addition to consenting to be interviewed, this individual submitted to me a written response to some of the questions posed by the study.

As will be discussed in Chapter 7, during the time of the LMDA negotiations, Nova Scotia had very little experience in labour market development policy, and thus, the province lacked policy expertise in this area. Moreover, labour market policy was not a well-established policy priority in any provincial ministry. Nova Scotia's limited expertise and resource capacity pertaining to this area may be related to why one person played such a key role in representing the provincial position. Overall, the lack of expertise and policy capacity in Nova Scotia serves as a sharp contrast to Alberta's strong policy and resource capacity in labour market development.

Civil servants as respondents in studies

Data analysed from interviews with federal and provincial respondents is used in this thesis to explicate and examine the positions and influences of thus, as asserted by the federal, Alberta, and Nova Scotia governments. Information drawn from interviews with civil servants suggests that this group has much to say about the priorities, influences and

positions of the governments they serve. Although any decision could be proclaimed or ultimately changed by elected officials, civil servants were very instrumental in building governmental positions. The civil servants interviewed in this study were given the authority to make judgements about the relative benefits of devolving these labour market policies, with their own governmental interests in mind. They were responsible for developing suitable scenarios, and implementing revised policy arrangements.

Cairns (1988) supports the suggestion that civil servants play an integral, and more specifically, a very powerful role in carrying out the day-to-day operations of governments. Although politicians are endowed with official political power, they are greatly outnumbered by civil servants who do their bidding, and civil servants have significant incentive to expand their own authority, and assert their own interests (Cairns 1988; White, et al., 1998).

Drawing from 1997 figures, the approximate size of the federal and provincial public service sectors amounted to respectively, 400,000 and 203,000 civil servants (Brooks, 2000: 165). The sum of 603,000 civil servants stands in sharp comparison to the near 1,011 elected officials who represent their constituents across the country in federal and provincial legislatures (Archer et al., 1999). Furthermore, between 1941 and 1994, the civil service has increased by 1,198 per cent (Peters, 1999). The considerable growth of the public service over the latter part of the 20th century has created:

large and powerful complexes of institutions and personnel with their own professional and personal interests and their own official purposes for the provincial and federal populations they govern.
(Cairns, 1988: 105)

Civil servants interviewed tend to have a long-term view of their programme-policy area. As one federal respondent in Alberta said “I have grown up in this programme” (AB-FD-G). They have a good understanding of the evolution, development and challenges of their programme area, and in part, their authority and strength stems from their expertise to which political officials are highly dependent upon (Cairns, 1988; White, et al., 1998; Brooks, 2000). It is in civil servants’ interests to anticipate the impacts and implications of any programme-policy shifts that might result from devolving labour market policies from federal to provincial jurisdictions.

It is a significant challenge to discern the influences of governmental priorities and positions. As mentioned earlier, the negotiations were covert and, although the final agreements are public knowledge, just how and why governments reached agreement is not obvious or widely understood. Many research studies that deal with influences on government, and government positions, draw upon the perceptions and opinions of federal and provincial civil servants. For example, Klassen (2000) interviewed senior officials in the Ontario government in a study that investigated the salient factors involved in the decline of two governmental initiatives that pertain to labour market adjustment, during the mid- 1980s to mid- 1990s. The provincial senior officials interviewed, observed or were involved in the rise and fall of initiatives in the Ministry of Skills Development, and the Ontario Training and Adjustment Board.

Lindquist (1999) interviewed civil servants in a study that investigated federal and provincial overlap and duplication in policy and programme development. The study examines four policy case studies where both levels of government are active, to draw out the challenges and successes related to managing federal-provincial overlap and duplication.

In a manner similar to the procedure followed in this thesis, White (2002) and Bakvis (1996) interviewed both federal and provincial civil servants to study the interaction between intergovernmentalism and the respective policy sectors of child-care, and labour market development in Canada. White (2002) explores disputes concerning jurisdictional issues, and the constraints inherent in collaborative federal-provincial approaches in the development of child-care policy. In White's (2002) study, interviews with civil servants helped to explain the priorities of governments' and the influences of political factors in policy development.

Closely related to the focus of this thesis, Bakvis (1996) examined the federal government's 1996 official proposal for devolution of labour market development policy. Bakvis (1996) interviewed federal and civil servants to analyse some of the challenges faced by the federal government in following through with devolution. Also, Bakvis' (1996) study examines potential provincial positions on the proposal, and the future impact on national labour market policy, given the possibility that markedly different labour market strategies could be generated across the country. In a later study, Bakvis (2002) interviewed federal and provincial civil servants once again, in a study that examines the labour market development agreements as an illustration of flexible federalism in Canada. Noting a shift away from flexible federalism following the mid-1990s, Bakvis (2002) examines the implications of the labour market development agreements as a benchmark for the performance, effectiveness, and legitimacy of federalism.

Recruitment of respondents to the study

Four key informants were consulted about specific issues related to this study. Three of these key informants are senior civil servants associated with LMDAs and are included in

the sample of respondents. They will be referred to as key informant/respondents. These three key informant/respondents provided information about the field of study, assisted in the recruitment of other respondents, and provided feedback about the research questionnaire. The fourth key informant, who was not associated with LMDAs, reviewed and provided feedback about the technical aspects of the research questionnaire that guided the interviews. This person will be referred to as a key informant. This key informant's participation in this research will be addressed later when the chapter discusses the instrument used to collect data.

According to Janesick (1998), interviews with key informants help to gain insight about the field of study. Key informants can play an important role in introducing the researcher to the culture of the field setting, including language or jargon (Fontana and Frey, 1998; Janesick, 1998). For example, as in the case with this study, key informant/respondents were very helpful in interpreting acronyms and official terminology. Janesick (1998) suggests, that key informants assist researchers to establish relationships with other respondents, and they help researchers to become familiar with respondents' time frames and availability. Also, they can identify significant documents and records that may reveal previously unknown information.

To gain information about the LMDAs and other potential research respondents, two key informant/respondents were interviewed in Alberta, and one key informant/respondent was interviewed in Nova Scotia. They provided me with relevant government documents, and they recommended particular government documents, and other related written material such as conference proceedings. Key informant/respondents were very helpful in gaining knowledge about and access to the

study population. The process of recruiting key informant/respondents and respondents was different for each province, and will be discussed separately.

Alberta

In Alberta, two key informant/respondents were chosen. Both key informant/respondents hold senior management positions, and both were directly involved in the Canada-Alberta negotiations. In search of key informant/respondents and in general civil servants who were knowledgeable about the study area, I initially telephoned the Alberta Ministry of Human Resources and Employment (the current lead ministry for the LMDA) and asked to speak to a senior official with responsibility for the LMDA. I spoke to an official who gave me the name and phone number of senior official who was involved in the labour market negotiations.

This second official was telephoned and confirmed their direct involvement in the development and negotiations of the Canada-Alberta LMDA. This provincial official was interested in the research and agreed to be interviewed. This key informant/respondent was interviewed twice. During the first interview he/she provided a detailed written list of the federal and provincial civil servants who participated in the Canada-Alberta LMDA negotiations. From this list I telephoned the most senior federal official and requested his/her involvement as a key informant/respondent. This federal official who was the federal lead in the negotiations, agreed to participate and he/she provided names and contact information for federal and provincial officials involved in the negotiations.

From the lists compiled with the assistance of the two key informant/respondents, ten federal and provincial civil servants were identified as having directly participated in

the Canada-Alberta LMDA negotiations. My intention was to interview all ten civil servants. I directly contacted potential research respondents to inform them about the research, and to request their participation. Initially, potential respondents were informed by letter (through electronic mail) about the study and were invited to participate. Usually it was necessary to contact individuals by telephone to ascertain their interest and willingness to participate. Most often, once a respondent agreed to take part in the study, I was given their administrative assistant's phone number, and was requested to contact them to arrange the interview date and time.

Out of the ten civil servants who were identified as being directly involved in the Canada-Alberta negotiations, eight were interviewed for this study. I was successful in contacting all but one of these respondents. Out of the two individuals who did not participate, one is retired, and I received no confirmation whether or not my letter and phone messages had been received. The other potential respondent declined the invitation to participate, via an assistant. According to the assistant, the civil servant was burdened by a full and busy schedule, and therefore could not take part in the study. The two potential respondents who did not participate in the study were both provincial civil servants.

Nova Scotia

The Alberta federal key informant/respondent gave me the name of two senior officials in Nova Scotia who were able to provide names of persons involved in the Canada-Nova Scotia LMDA negotiations. I was able to contact only one of these individuals. This individual agreed to be interviewed, and to assist in providing information about the LMDA negotiations, and to identify suitable respondents for the study. Again, my aim

was to interview federal and provincial civil servants who were directly involved in the LMDA negotiations. The key informant/respondent, a senior manager for the federal government, identified potential respondents who participated in, and had knowledge about the negotiations.

Recruitment of respondents in Nova Scotia took place in two stages. An initial nine interviews with respondents were arranged with the assistance of the key informant/respondent. Rather than provide me with a list of potential suitable respondents, that I could then use to directly contact respondents, the key informant/respondent preferred to contact these individuals to ascertain their willingness to participate. Once they agreed to participate an assistant of the key informant/respondent scheduled the date and time of the interview.

Four of these respondents are federal civil servants who were directly involved in the negotiations, and one respondent is a federal civil servant with knowledge about the negotiations, and the development of the agreement. In contrast, none of the four provincial respondents identified by the key informant have direct involvement in the negotiations, yet they have knowledge about the negotiations, and the development of the labour market agreement.

As the Nova Scotia interviews progressed, I became aware of others who were also involved in and/or knowledgeable about the negotiations, and this allowed me to search out and interview four additional respondents. Two of these additional respondents are federal and two are provincial civil servants. As noted earlier, one provincial civil servant was identified as playing a major role in the Canada-Nova Scotia negotiations. With the help of respondents other than the key informant/respondent, I

was able to locate, and contact this individual who expressed a keen willingness to participate in the study.

The other provincial respondent recruited to the study in this manner was not directly involved in the actual negotiations, but the respondent's observations and knowledge about events surrounding the negotiations helped to elaborate on the provincial position, and the influences thereof. Both federal respondents identified with the help of other respondents were directly involved in the negotiations, and in fact one was the federal lead for the Canada-Nova Scotia negotiations, and the labour market development agreement.

These additional interviews substantiated the information offered by the initial nine respondents identified with the help of the key informant/respondent. Further, detailed information about the negotiations was obtained through the interviews with the federal and provincial team leaders.

In sum, thirteen civil servants were interviewed in Nova Scotia. Seven were identified as participating directly in the negotiations. An additional six individuals with knowledge about the negotiations, and the development of the labour market agreement were interviewed.

Prior to each interview with Alberta and Nova Scotia respondents, a number of issues were addressed. To begin, I reviewed the purpose and focus of the research, and provided respondents the opportunity to ask questions about the research. Also, I ensured that they understood that their participation was voluntary, and how their individual responses would be identified in the research was reviewed and agreed upon. Further, I

ensured that respondents judged themselves as knowledgeable about the development of the LMDA. The process of informed consent and issues pertaining to confidentiality will be dealt with in greater detail later.

Instrument used to collect data

Key informants can play an important role in improving the research instrument (Janesick, 1998). In this study, interviews with key informant/respondents helped to refine the interview schedule. General questions pertaining to the negotiations, and development of the agreement were answered by the key informant/respondents, and were then deleted from the original draft of the question schedule. For example, key informant/respondents verified that the negotiations were bilateral, government-to-government activities that did not include direct participation from other stakeholders such as business and labour. Also, questions concerning details about which ministries represented provincial and federal governments in the negotiations were answered by the key informant/respondents, and did not require a response from all respondents.

Key informant/respondents assisted with the final preparation and editing of the question schedule. For instance, I was advised to not anticipate more than one and one half to two hours per interview, and to clarify my time expectations with the respondents' assistants or secretaries who managed their diaries.

Other technical advice was sought and received from an additional key informant (not included in the respondent sample), who possesses an expertise in designing research questionnaires. This key informant is a senior business manager for a provincial ministry, and has taught third and fourth year university courses in research, and programme

evaluation. This key informant's critique helped to safeguard against including double-barrelled questions, and questions that may have been biasing or leading. This individual's advice was very useful in planning the logical order of questions, and for improving the wording, and hence the overall clarity of the question schedule. See Appendix A for a copy of the question schedule.

The question schedule was designed to elicit respondents' perceptions about the federal government proposal for devolution, and how particular provinces responded to this proposal. More specifically, respondents were asked questions to gain an understanding about the influences of the federal proposal, and the divergent provincial responses evident in the two case study provinces. To this end, the questions were intended to draw on respondents' expertise, and knowledge to shed light on federal and provincial priorities and positions concerning the devolution of labour market policy.

The schedule comprised four main question areas: (1) Rationale and context of the federal proposal for devolution (2) Process issues related to the development of the LMDA (3) Federal and provincial attitudes, priorities and positions on devolution and the LMDA, and (4) Lessons learned. See Appendix A for the full question schedule.

Procedures followed to collect data

Research interviews were conducted to collect data. Specific details of the interviews will be elaborated upon following a brief review of the advantages, and disadvantages of utilising interviews to gather data. There are several advantages of this procedure. Largely, answering questions in interviews is a more natural, and easier process for respondents, than approaches that require responses in written form (Gochros, 1988).

Also, written responses may be more prone to ‘self-censorship’ compared to questions answered orally (Gochros, 1988: 268). Furthermore, Gochros (1988) states ‘it is more difficult in an interview than in a mailed survey questionnaire to “erase” an answer and replace it with a more “appropriate” and perhaps less valid answer’ (Gochros, 1988: 268).

Interviews promote high response rates on the questions asked, because the presence of the interviewer enables respondents to clarify questions that may not be well understood (Gochros, 1988). As opposed to responding to a question in writing, which can be easily avoided, respondents may even enjoy speaking to an interviewer (Gochros, 1988; Rubin and Babbie, 1997). When I spoke to respondents on the telephone to discuss their interest in participating in the research, they would often comment that the development of the LMDA preoccupied a great deal of their time. For several respondents, the LMDA represented a significant event. For instance, a Nova Scotia provincial respondent referred to the agreement as “futuristic” (NS-PR-L). Another Nova Scotia provincial respondent remarks:

We could see that there was an opportunity to better align what we were doing as a province with what the federal programming had been, in terms of pooling our resources to get unemployed Nova Scotians back to work. We saw an opportunity to bring provincial economic and social objectives into the discussions, which had not been the case with the federal government operating unilaterally in the area.
(NS-PR-N)

Some comments reflected a sense of pride in reaching federal-provincial agreement. For example, an Alberta federal respondent comments:

We negotiated a very fine set of conditions under which the transfer occurred. Federal staff who were transferred to the province were taken care of, and I think that’s one of our greatest accomplishments here as a team who negotiated the first LMDA; we had achieved a breakthrough

both from a federal and provincial point of view. I think we had a good agreement.
(AB-FD-E)

From civil servants' perspectives the LMDA was momentous, because of its impact on federal-provincial relations, and the extensive commitment of time and effort that was invested in the bilateral negotiations.

The interview allows for flexibility that can lead to in-depth information (Gochros, 1988; Patton, 1990; Rubin and Babbie, 1997). In an interview, the interviewer can ask probing questions in attempt to shed light on complex issues. For example, when I asked respondents about factors that influenced governmental positions, I asked probing questions to follow up on their initial responses. For instance, when asked about influences on the federal proposal an Albertan federal respondent explains:

The proposal was to demonstrate particularly to Quebec during the time of the referendum that flexible federalism, co-operative federalism, could work and this was the flagship that they waved.
(AB-FD-F)

Following this statement I asked, "According to your experience what does flexible federalism mean?" The respondent replies:

I think it's whatever the politicians choose to make it on any given day. Because from the federal point of view, they've also talked about powers going the other way too. I mean to be pure about this- they would always have this little holding section in statements that acknowledged that, sure we could be talking about stuff going to the provinces and of course we could also talk about stuff coming back to the federal government. They would always make reference to the fact that it could happen both ways. But that's not of course how the provinces saw it!
(AB-FD-F)

When addressing provincial priorities for the LMDA an Alberta provincial

respondent comments:

Because we were the first and taking a chance on the agreement, we wanted to see a clause, we called it the equality clause, so that, if- at any time after we concluded our agreement, another province negotiated terms that were more favourable, we wanted to ensure that such options were available to us as well. And we were negotiating that just about to the eleventh hour.
(AB-PR-C)

When I asked: “When did the province bring the equality clause to the table?” the respondent answers: “It was always there but the federal government just kept refusing to deal with it” (AB-PR-C).

Of course such questions are complex and require complex, and comprehensive answers. It is probable that had respondents answered questions about governmental influences in written form, they may have simply stated what they perceived as influential without any explanation as to why or how they reached such conclusions. But in the interview I was able to ask respondents to expand on their comments.

Furthermore, in research interviews, the researcher is assured that the respondent is answering questions as opposed to someone else such as an assistant or colleague (Gochros, 1988). And therefore, the researcher can better account for the identity and description of the population sampled. In addition, the presence of the interviewer allows for access to serendipitous data (Gochros, 1988; Rubin and Babbie, 1997). For instance, early on in the interviewing stage of this research, an Alberta provincial respondent noted that Part I (the employment insurance benefit) was on the table for discussion. This was most interesting to me, as this detail was missing from the information that was publicly available. This information, unexpectedly revealed early on during the interviews, was

developed into a question, and hence incorporated into the schedule. The issue of whether or not Part I was discussed and perceived as negotiable, and the extent of agreement among provincial and federal respondents about whether or not this was in fact true, is examined in Chapter 6.

A disadvantage of the research interview includes the potential inaccessibility of respondents to researchers because of their geographical locations (Gochros, 1988). This was a problem confronted in this study as respondents work in various locations across the country. Most respondents reside, and were interviewed in the capital cities of each province, namely Edmonton, Alberta, and Halifax, Nova Scotia. In cases where respondents lived elsewhere, telephone interviews were arranged.

Another limitation of the research interview is that it results in a loss of anonymity for respondents (Gochros, 1988). While all respondents were guaranteed confidentiality of their responses, face-to-face interviews do not allow for anonymity. Yet, in this research, a written questionnaire that safeguarded their identity from the researcher may not have offered respondents much comfort about the anonymity of their responses, given that both the study population and the sample population are quite small. This poses a challenge to the research strategy utilised in this study and will be elaborated on later in the discussion on ethical considerations.

A further disadvantage is that the presence of the interviewer may result in distortions or errors in the process of collecting and recording data (Gochros, 1988; Rubin and Babbie, 1997). In this study, error in recording respondents' answers was minimised by taking notes, and tape-recording, and transcribing the interviews.

Interviewers may introduce error through a lack of standardisation in the interview process, whereby wording and sequencing of questions, and actual questions asked may change from interview to interview. For the most part, all of the questions were asked in the order presented in the schedule. This research attempted to avoid error by following the question schedule as closely as possible, while retaining a flexible approach to gain comprehensive and in-depth information.

The interviews followed a semi-structured format, whereby a question schedule guides the interview, yet the researcher exercises plenty of latitude to interject questions that probe respondents' answers for greater clarity and detail (Gochros, 1988; Patton, 1990; Rubin and Babbie, 1997). Also, an effort was made to ensure that all questions were asked of all respondents. On a few occasions however, questions were limited largely because of time constraints on the part of some respondents.

In this study, a total of 21 federal and provincial civil servants from Alberta and Nova Scotia were interviewed from June to November 2000. To clarify respondents' answers and to ask additional questions, four respondents were interviewed twice. Most interviews were conducted in face-to-face interviews, save six interviews that were conducted over the telephone. Out of these six telephone interviews, four were follow up interviews. All of the face-to-face interviews were conducted in respondents' offices. The length of the interviews ranged from 50 to 130 minutes. On average, interviews lasted for approximately 80 minutes. In sum, 25 interviews were conducted, comprising approximately 1,920 minutes or 32 hours. All interviews were recorded on audiotape and transcribed.

Limitations of the methodology

To begin, in examining the influences of one federal and two provincial governments, the research draws on two provincial experiences only. Perhaps a more in-depth account of the political interest and public interest influences on devolution concerning this case study could have been reached with an additional province and larger sample size. A further limitation is the concentration on civil servants, and the inclusion of only a few elected officials.

The negotiations took place between 1996 and 1997 and the interviews were conducted in 2000. On occasion, respondents would comment that I was taxing their memory because of the three to four year time-lapse between the negotiations and the research interview. For example, early in the interview, one respondent states: “it was a long time ago so I don’t know that I have lot to offer”(AB-PR-A). Yet, this respondent and others who were concerned about the time lapse, and their ability to recall events and salient facts, noted towards the end of the interview that they were surprised that they remembered as much as they did. In fact, some respondents stated that talking about events actually improved their recall. For example, one respondent was discussing some the difficulties encountered during the negotiation and comments: “So that was a problem...as we are talking here I am remembering more about the problems we had to deal with” (AB-PR-D).

Rather than trying to take detailed notes, tape-recording interviews assists in recording respondents’ input accurately, and it allows the researcher to focus on the respondent and what he or she is saying (Rubin and Babbie, 1997). Yet, some respondents may have felt uncomfortable because I was tape-recording their responses. It

should be acknowledged that the presence of the tape-recorder might have inhibited their participation to some degree. For example, at times respondents were tentative in their responses. It is believed though that promising confidentiality of responses tended to compensate for this limitation. This issue will be discussed in the next section that deals with ethical considerations.

Informed consent and other ethical considerations

Ethical considerations involve issues of informed consent, confidentiality, and protection from harm (Fontana and Frey, 1998; Punch, 1998). Researchers must prepare for potential ethical issues and problems during the course of the research process (Janesick, 1998; Punch, 1998). And, as noted by Punch (1998), in reference to ethical considerations, each researcher must navigate 'his or her own path':

This is because there is no consensus or unanimity on what is public and private, what constitutes harm, and what the benefits of knowledge are.
(Punch, 1998: 179)

Prior to each interview, respondents read and signed informed consent forms that outlined: (a) the focus of the study (b) that the study is conducted in part to fulfil PhD requirements (c) why the respondent was chosen to participate (d) what participation entails (e) that participation is voluntary (f) contact information concerning research supervision, and (g) how respondents would be identified in the study. See Appendix B.

While respondents offered, in most cases in great detail, their interpretation of events and associated decision-making processes related to the proposal for devolution, a moderate level of caution was noted in some interviews. Klassen (2000) notes that senior

managers, who hold positions that are unprotected by collective bargaining agreements, may require more assurances of confidentiality than mid-level managers who have the advantage of such protection.

It was important to some respondents to clarify with me that their answers to some of the questions were based on their perceptions and opinions only, and did not necessarily reflect governments' official public positions. These questions tended to be ones that tried to reveal the influences of governments' positions, and eventual decisions about devolution. In contrast, respondents tended to be less cautious responding to questions that sought clarification about information that was for the most part public, and not necessarily controversial in nature.

Though respondents work for governments, some of the civil servants interviewed in this study tended to disagree with their political leaders, and this fact cannot be ignored in the ethical consideration of risk to respondents. While some respondents who openly criticised governments (including their own) did not appear to be nervous or apprehensive about making such comments, others decided to refrain from answering questions that may have perhaps been perceived as sensitive.

When asked about future trends in federal proposals for devolution, one Nova Scotia federal respondent asserts: "Well, that depends on what the next federal government looks like" (NS-FD-O). When asked to comment further, the respondent replies: "I have no comments on that" (NS-FD-O). In addition, when asked a question about the extent of devolution in the Nova Scotia LMDA, a Nova Scotia provincial respondent comments: "I'm being recorded so it's hard for me to talk openly"(NS-PR-L). Further, when asked about the kind of agreement that was preferred by the federal

government, a Nova Scotia federal respondent prefaced his/her comments saying: “Well that’s a tough question first of all....I have to watch what I say” (NS-FD-R).

Moreover, a few respondents asked that I strike particular statements. And on one occasion a respondent asked that the tape-recorder be turned off. It was as if the respondent felt obligated to answer my question, or simply wanted to get the thought into the open, but did not want to do so on tape. As a researcher, I acknowledge the fact that civil servants do to some extent take risks when making comments that surpass the threshold of so called stated rationale of policy, and status quo political sentiment. In order to elicit respondents’ perceptions and opinions it was necessary to guarantee confidentiality of their responses.

There is debate concerning the researcher’s responsibility to report on ‘abuses in public and business life’ and protecting the confidentiality and privacy of respondents, and ensuring that respondents are not harmed (Punch, 1998: 173). Indeed as noted by Punch (1998) some would argue that the protection of respondents can be rightfully waived in cases where public institutions are involved in dishonest, and unlawful activities. While this research did not uncover such grave insults upon public accountability, it was clear that many respondents were critical of their governments, but were very careful to not state the case so severely.

Within the constructivist paradigm, to which this research is identified, ignoring or minimising the significance of ethical issues is not acceptable. Rather than viewing civil servants as ‘subjects’, respondents are likened to ‘partners’ or:

stakeholders in a constructivist paradigm that is based on avoidance of harm, fully informed consent, and the need for privacy and confidentiality. (Punch, 1998: 169-170)

Issues of anonymity and confidentiality are a concern in the present study for several reasons. The sample for the study is small, as respondents noted that the negotiations concerning the two studied LMDAs involved about 10 persons in each province only. While the study sample in this research includes respondents other than those directly involved in the negotiations, most of the individuals who were directly involved were interviewed.

For Nova Scotia, about 70 per cent of the individuals who were directly involved in the negotiations were interviewed, and about 80 per cent of the individuals who were directly involved in the Alberta labour market negotiations, were interviewed in this study. Anonymity is therefore a concern. Anonymity is lessened somewhat with the guarantee that individual research respondents are not identified by name. Furthermore, respondents were promised confidentiality of their responses. Therefore, I have avoided the inclusion of direct quotes that may identify individuals. For example, a few respondents made use of slang language that could be identified by those familiar with these respondents.

Research respondents were invited to contact me should they choose to amend their comments, or offer additional insights. Respondents could choose to review the transcripts of their interview prior to the inclusion of their comments into the analysis. Six out of the twenty-one research respondents asked to review the interview transcripts in order to make changes or offer additional comments. Only three respondents made very minimal changes to their initial comments. No critical detail was amended.

For the most part, participants were very interested in this research. In both Alberta and Nova Scotia, many of the respondents were still involved in the LMDA and were keenly awaiting forthcoming formative programme evaluations. Many respondents from both provinces requested that I send them a paper outlining the study's findings. It is important for researchers to share their findings with research respondents.

Conclusion

This chapter has reviewed the chosen methodology for the study. Interpretive and constructivist paradigms have been evaluated, and the case for adopting a qualitative case study method has been suggested as the most appropriate for investigating the kind of 'political', and sensitive material related to the subject of this study.

First, the questions and main thesis of the study were addressed. As a way of discussing the choice of methodology, the chapter examined positivist and phenomenological research paradigms. It was argued that the interpretive - constructivist approach is superior to positivist quantitative methods for the purposes of this study, the major aim of which is the in-depth examination of policy-making processes leading to devolution, and the wider influences on these processes. The chapter reviewed additional salient issues related to methodology, including the triangulation of methods and data sources; sampling and recruitment strategies; civil servants as study subjects; the instrument used and procedures followed to collect data; limitations of the methodology; and ethical considerations.

A number of limitations of the methodology were addressed including confining the examination to two provinces, and employing a sample that relies heavily on civil

servants. Further limitations are associated with the length of time that lapsed between the negotiations and the research interviews, and the difficulty of preserving anonymity and confidentiality with an easily identifiable group of civil servants. Despite these limitations, the research method was successful in shedding light on influences on government decision-making concerning the case study of devolution. The next three case study chapters examine these influences in detail.

Chapter 5

Federal Government Proposal to Devolve Labour Market Policy: Influence of Political and Public Interests

Introduction: Political environment from the 1980s to mid- 1990s

This chapter examines why the federal government put forward an official proposal to devolve labour market policy to provincial governments in 1996. Drawing from primary and secondary data, the influence of the broader political environment of the latter 1980s and early to mid- 1990s will be examined. Evidence will be presented in attempt to determine how far the federal offer was driven primarily by political interests. The significance of other influences related to promoting the public interest, will also be examined.

The following hypothesis is examined: that the federal proposal for labour market devolution was influenced mainly by (a) political pressures resulting from the Quebec unity crisis, and (b) provincial calls for greater devolution concerning social policy, including the devolution of labour market policy, more than it was by (c) the federal government's intent to extend the public interest. In sum, it will be argued that the proposal was influenced by political imperatives facing the federal government more than it was influenced by the federal perception that devolution would result in greater effectiveness and efficiency of labour market policy.

Faced with growing debt and deficit from the mid- 1980s to mid- 1990s, the federal government chose to impose severe fiscal cut backs to social policy. This chapter

will discuss the influence of provincial reactions to nearly a decade of unilateral federal fiscal restraint, which included significant reductions in financial transfers to the provinces. Also examined are the pressures that stemmed from failed attempts at constitutional renewal, the threat of Quebec secession, and the 1995 referendum on sovereignty.

In addition, this chapter will examine other potential influences that precipitated the federal devolution proposal, including reforms to the Unemployment Insurance Act and provincial reaction to these reforms. Reforms to Unemployment Insurance involved more than fiscal cuts. In fact, changes to the Act emphasised active measures and an enhanced provincial involvement in labour market training. The significance of this, and of provincial attitudes to proposed new policies on labour market training, will be examined.

Following an examination of the saliency of these pressures to influence the federal proposal for devolution, the chapter will also review how the federal government intended to evaluate the success of the Labour Market Development Agreements (LMDAs). The accountability framework, which was devised by the federal government for this purpose, will be reviewed to throw light on federal priorities and political intentions, and to further discuss the hypothesis outlined above.

Federal government and fiscal restraint (1985-95)

As discussed in Chapter 3, the federal government played a pivotal role in establishing and maintaining social programmes in Canada. However, this strong federal presence began to fade in the 1970s when the Keynesian foundations of the post-war settlement

started to destabilise. Productivity waned as government spending and ensuing debt climbed. Economic recession in the early 1980s provoked governments to abandon full employment policies and focus on curbing inflation (Muszynski, 1995). Not unlike many other countries in the Organization for Economic Co-operation and Development (OECD), the burgeoning public debt in Canada added incentive to calls for social policy reform (Battle, 1998). Federal fiscal restraint was influenced by the extent of debt and the growth in social spending and therefore, each will be examined briefly.

Considerable attention has been paid to the issue of government debt and deficit problems since the mid-1980s. Canada's federal government debt amassed rapidly during World War I and II, and during the Great Depression. In the 1980s, this pattern of rapid and surging federal debt repeated itself (Harris, 1994). Public debt rapidly accumulated during the 1970s, and could not easily be eliminated by subsequent budget surpluses. Long-term financing of the deficit increased federal debt from \$20 billion in 1971 to more than \$545 billion by 1994-95. This resulted in a sharp increase in the federal debt to GDP ratio from 19 per cent in 1974-75 to 73 per cent in 1994-95 (Government of Canada, 1995a).

Instead of pointing to factors such as declining tax rates and the diminishing tax base, Conservative and Liberal federal governments in power during the 1980s and 1990s chose to target social spending as a way to contain debt and deficits (Dyck, 2000). However, despite the attempts to contain increases in welfare and social spending, expenditure on social programmes has vastly increased since the mid-twentieth century (Battle, 1998). While in 1945-46 federal and provincial governments' social programme spending was 4.7 per cent of GDP, in 1980 it had reached 14.3 per cent. Notwithstanding cut backs on social programme spending during the 1980s and 1990s, costs rose to 21.1

per cent of GDP in 1992-93. When adjusted for inflation using 1998 dollars, the amount spent on social programmes in 1945-46 and in 1992-93 totalled \$6 billion and \$159 billion respectively (Battle, 1998). As a result of major cuts in unemployment insurance and decreased spending in health and welfare programmes after 1992, spending was alleviated somewhat, totalling \$158 billion or 19.5 per cent of GDP in 1994-95 (Battle, 1998).

Public spending on social programmes has risen overall, yet in examining the differential rates of growth in spending by the two levels of government, it is noted that the federal rate of growth is approximately half that of the provinces. This declining federal role in social provision is evidenced by the fact that between 1958-9 and 1990-91, provincial spending increased thirteen times. This is contrasted against federal spending which only increased six times for the same period (Muszynski, 1995). This is understandable as social services and much of the expenditure they entail fall under the jurisdiction of the provinces (D.R. Cameron, 1994).

As noted by D.R. Cameron (1994: 436), the 1867 Constitution Act appointed responsibility for social issues to the provinces and as 'health, welfare and social assistance, and education consumed an increasingly large portion of the public purse', provincial financial obligation grew accordingly. Higher rates of growth in provincial spending stimulated provincial calls for greater autonomy and authority over how those dollars are spent. However, it is important to note that federal fiscal restraint has also contributed to provincial dissatisfaction with status quo federalism. And, as mentioned earlier in Chapter 3, the provinces have grown less tolerant of centralised federal power, largely as a result of the provinces' increased 'bureaucratic power and capacity' (Cairns, 1988: 114).

Federal fiscal reductions in transfers to provinces

Federal fiscal restraint is relevant to this thesis because it resulted in strong provincial demands on the federal government to devolve authority and responsibility for social policy to provinces. Further, it is argued here that, the federal decision to cut back provincial transfers was in the federal government's best interest, as it could demonstrate to the public that it could deal with its fiscal crisis. However, cuts to these transfers shifted or 'downloaded' responsibility to the provinces and contributed largely to federal-provincial conflict, and hence, competition between provincial and federal interests.

Since the mid- 1980s the federal Canadian government has made it a priority to curtail its debt by making significant cut backs to social policy. Elected to federal office in 1984, the Progressive Conservative Party adopted a mandate of welfare state retrenchment. Espoused in a policy document released shortly after the election entitled, 'A New Direction for Canada: An Agenda for Economic Renewal' (Government of Canada, 1984), the Conservatives asserted the priority to contain the debt and reduce the overall size and reach of the federal government.

Federal fiscal transfers to the provinces began to decline in 1986 with changes to that year's federal budget brought in by the Conservatives. Transfers earmarked for health and post-secondary education referred to as Established Programmes Financing (EPF), were reduced by limiting annual increases to two percentage points less than the rate of the GNP. Prior to this change, federal transfers increased annually at the same rate as the GNP (Perry, 1997). The Conservatives' 1989 budget reduced the annual increase for EPF by yet another percentage point, and the same government placed a permanent freeze on increases for this transfer in their 1990 budget (Battle, 1998).

Given these changes to EPF, reductions to federal transfers to the provinces are estimated at \$98 billion between 1986-7 and 1999-2000 (Battle, 1998). In addition, significant reductions were made in another federal-provincial transfer programme. The Canadian Assistance Programme, known as CAP, provided federal funds for provincial welfare and social services on a 50/50 federal-provincial cost-sharing basis.

In 1990, the Conservatives placed a 5 per cent limit on annual increases of CAP for the three wealthier provinces- namely Ontario, Alberta, and British Columbia. A recession in the early 1990s resulted in major increases in provincial welfare spending, but the reductions on CAP saved the federal government \$5.8 billion from 1990-1 to 1993-4 (Battle, 1998). It is not surprising that the decrease in CAP transfers were met with extreme disapproval from these so called 'have-provinces', because they felt that they had been unfairly targeted for these cuts at a time when economic recession was actually increasing their costs. These are the provinces that would take a lead role in demanding greater autonomy and authority from the federal government in the years to follow. Of relevance to this study is the influence of Alberta in driving increased decentralisation in the Canadian federation. As will be discussed further, Alberta strongly asserted the position that labour market policy should be devolved to provincial governments.

In the 1990s, under a Liberal federal government, Canada would experience even greater fiscal reforms. Elected into federal government in 1993, the Liberals' initial budget in 1994 ushered in further reductions to fiscal transfers to the provinces. In the 1994 budget, the Liberals announced that increases to both EPF and CAP for 1996-7 were to be held at 1993-4 levels (Government of Canada, 1994a). Then, in 1995 these two

social transfer schemes were eliminated and replaced by a new scheme that resulted in drastic cuts to provinces (Government of Canada, 1995b).

Richards (1998: 76) refers to the Liberal 1995 budget as 'a genuinely important break with past Canadian practice'. Policy papers released by the finance department served to forewarn Canadians of what would come in the budget. The message was that social programmes, which accounted for almost two-thirds of total public spending, had to be cut back in order to tackle the problem of the deficit. The policy paper entitled, 'A New Framework for Economic Policy' (Government of Canada, 1994b), emphasised the need to halt deficit spending to promote jobs and economic growth. The 1995 budget articulated a three-year strategy to decrease the deficit to 3 per cent of GDP by 1996-97. Significant reductions to federal fiscal transfers to the provinces were part of this strategy.

The 1995 budget announced that EPF and CAP would merge to form the Canadian Health and Social Transfer (CHST). Merging the two transfer programmes resulted in fewer federal conditions on how the funds were spent and it made significant reductions in the sum total of funds received by provinces. Where CAP prescribed federal standards on social spending, the CHST removed all conditions with the exception of disallowing provinces to impose residency requirements for social assistance benefits. Perhaps the most drastic change however was the overall reductions to the federal fiscal transfers to the provinces. The CHST, implemented in 1996-7, transferred \$26.9 billion to the provinces where previously under EPF and CAP provinces would have received \$29.4 billion (Battle, 1998). In its first three years, the CHST cut provincial transfers designated for education, health, and social services by \$7 billion (MacDonald, 1998).

Significantly, the federal government argued that this reform offered the provinces greater flexibility and autonomy concerning social policy. In the 1995 budget speech, the Minister of Finance stated: 'Provinces will now be able to design more innovative social programs - programs that respond to the needs of people today rather than to inflexible rules' (Government of Canada, 1995c: 18). This statement illustrates an attempt by the federal government to justify these reforms based on its desire to increase what they saw as overall public interests through greater provincial autonomy. Yet, it is argued that the motivation underlying these decisions had more to do with meeting fiscal problems than meeting public interests. Moreover, in recognition of the federal government's declining role in maintaining national standards, the 1995 budget supported the idea of provinces working together to determine 'a set of shared principles and objectives that could underlie the new Canadian Social Transfer' (Government of Canada, 1995c: 18).

However, there is clearly a discrepancy or contradiction between the conservative right's claims to be allowing provincial autonomy, while withholding from provinces funds that were once designated to meet social need. Intergovernmental competition is evident as federal and provincial interests are pitted against each other. Also, it should be questioned whether the federal government was being attentive to provincial rights concerning autonomy or whether, because it made debt reduction a priority, it was simply no longer able to impose standards. As mentioned in Chapter 3, Lazar (1998a) notes that the federal government's authority to monitor national social policy was compromised by its own unilateral decisions to make such severe cuts to transfers in the early to mid-1990s.

Although there were fewer conditions attached to these fiscal transfers, provinces were very displeased by the unilateral federal decision to make such deep cuts to these

funds. The significant decline in federal transfer payments to the provinces in the mid-1990s frustrated the provinces and led to provincial criticisms of the federal government. In the months following the 1995 federal budget, provincial discontent was noted during inter-provincial meetings. For example, during an inter-provincial meeting in September 1995, health ministers from across Canada declared the \$7 billion reduction to transfer payments would seriously threaten the future of Medicare. Also, during an inter-provincial meeting of finance ministers in December 1995, several provinces rendered strong criticism of federal actions that severely reduced social policy expenditure in order to deal with the federal deficit (Tzembelicos, 1996).

The federal fixation on debt and deficit containment and decisions to invoke extreme reductions in transfers payments to provinces, illustrate some of the important issues that confronted Canada from the mid- 1980s to mid- 1990s. When examining potential influences on the federal proposal for devolution, provincial reaction to federal fiscal restraint should be kept in mind. As mentioned earlier, other pressures existed during the 1990s, including powerful political events that would have serious impacts on the Canadian political scene. The next section will address these important historical events.

Provincial challenges to federalism

In addition to pressures stemming from fiscal concerns, both Conservative and Liberal federal governments were faced with a constitutional debate which occupied much of the 1980s and early 1990s, and which exerted an equal, if not stronger, pressure on the drive toward devolution. Strong provincial challenges to status quo arrangements concerning the roles and responsibilities between federal and provincial governments in Canada

emerged from this debate. For a variety of reasons, provinces, demanded greater responsibility and authority in social policy, including more control over labour market training.

Particular significance was attached to the case of Quebec, which wanted to protect its cultural heritage and its uniqueness in Canada. The province of Quebec demanded constitutional recognition of its distinctiveness in social policy, as well as in language policy and a host of other public issues. Other provinces also sought more control over social policy. To begin, this section will review a few critical events that are related to the debate over the constitution. Attention will then turn to provincial pressures imposed by Quebec, the unity crisis, and demands from other provinces for greater responsibility and authority over social policy.

In the 1960s, a variety of political groupings and forces in Quebec asserted positions ranging from calls for greater devolution of federal powers, and recognition of Quebec's distinct position in Canada, to calls for complete independence. Yet, constitutional debate since the 1960s has resulted in only one major development - the 1982 Constitution Act. The discord between the province of Quebec and the rest of Canada is evidenced by the fact that Quebec is the only province that has not signed the 1982 Constitution Act.

The 1982 Act was strongly supported by then Prime Minister, Pierre Elliott Trudeau, who was very reluctant to recognise Quebec as a distinctly different political unit, in fear this would lead to a special status for the province. Rejecting Quebec nationalism, and rejecting asymmetrical federalism, the 1982 Act declared the 'equality of provinces'. Simeon (2001) notes how the idea of equality among provinces, while not

embraced by many Quebecers, is entrenched among Canadians outside of Quebec (Simeon, 2001).

Constitutional debate continued to preoccupy provincial-federal relations during the 1980s and early 1990s and led to two additional failed attempts to bring Quebec back into the constitution. In 1987, the Meech Lake Accord expressed the consensus among the federal government and all ten provinces. It was considered an historic achievement as it recognised Quebec as a distinct society.

Because the Accord revised the constitution it required the approval of all provincial legislatures before the ratification deadline of June 1990. Two provincial governments, namely Manitoba and Newfoundland, did not pass the resolution within the specified time frame. During the ratification time frame, Manitoba and Newfoundland elected new governments that demanded significant changes to the Accord.

The failure of the Meech Lake Accord generated a great deal of resentment among Quebecers and support for sovereignty increased (Pelletier, 1998; Simeon, 2001). Shortly thereafter, the premier of Quebec, Robert Bourassa, announced that the province would not participate in future intergovernmental meetings and the Quebec National Assembly initiated plans for a referendum on sovereignty.

Two years after the failure of Meech, constitutional negotiations resumed. While the Charlottetown Accord encompassed many similar proposals found in Meech, including the recognition of Quebec as a distinct society, from the Quebec perspective some of the proposals fell short of what was sought after (Jackson and Jackson, 2001). For example, conditions concerning constitutional veto would not have allowed Quebec

to veto Senate reform or the creation of new provinces. Also, constitutional veto was extended to all provinces. The Charlottetown Accord achieved consensus among governments, yet was rejected by Canadians, including the citizens of Quebec, in a national referendum in 1992.

Constitutional proposals during the 1980s and 1990s were interpreted among many Quebecers as not far reaching enough, but were perceived as too accommodating by most of English Canada. According to Simeon (2001: 50), 'English-Canadian opinion became increasingly hostile not only to the idea of sovereignty, but also to the idea of a distinct society for Quebec'. These failed attempts to bring Quebec into the constitution serve as the background for the unity crisis that followed.

The unity crisis and the province of Quebec

In September 1994, citizens of Quebec elected a separatist provincial government. The Parti Quebecois asked Quebecers to vote "yes" in a sovereignty referendum set for October 30, 1995. During the referendum campaign, Prime Minister Jean Chrétien's avoidance of constitutional issues, and his declaration that his government had no backup plan should the separatists succeed implied confidence that a "no" vote against sovereignty would triumph (Lazar, 1998b). In fact, rather than confronting the threat of separation directly, in September 1994, Chrétien declared that he would promote federalism through deficit reductions and job creation (Tzembelicos, 1995). It appears that the Prime Minister chose to disregard Quebec's frustration with federalism and its calls for greater devolution, and attempted instead to deflect attention away from separation and towards the economic benefits of remaining in Canada.

However, as the referendum grew nearer, the polls indicated a close vote was at hand. One month prior to the referendum, a poll conducted by Leger and Leger on the question of sovereignty, found that 45.1 per cent of Quebecers intended on voting 'no', where 43.8 per cent planned on voting 'yes' to sovereignty. Just two weeks before the referendum, Leger and Leger polled Quebecers again and found that support for sovereignty had increased to 45 per cent where those opposed to sovereignty decreased to 42.4 per cent (Tzembelicos, 1996).

In a speech to Quebecers on October 24, just six days before the referendum, Chrétien acknowledged the imminent threat of the break up of the country and voiced his government's intention to respond to provincial demands for greater decentralisation of federal powers (O'neil, 1995). Supporters of sovereignty lost the Quebec referendum by the narrowest of margins, with the "no" side winning with 50.57 per cent of the vote (Montreal Gazette, 1995). Canadians were faced with the reality that half of the Quebec population wanted to separate from Canada. The unity crisis invoked considerable anxiety among all Canadians. The federal government faced considerable criticism in its inadequate response to the threat of succession and its lack of planning for a possible victory for sovereignty (Simeon, 2001). This criticism was particularly worrisome for the federal Liberals because they were less than two years away from a federal election.

Chrétien announced the federal government's decision to withdraw from labour market training less than one month after the Quebec referendum (Macpherson, 1995). Some provinces, including Quebec, had for several years made the case for devolving federal labour market training. In fact, the Charlottetown Accord called for decentralisation of federal authority including the devolution of labour market training. Even prior to examining other pressures that may have influenced the federal

government, it is probably safe to say that the timing of the informal proposal for devolving labour market training was most likely not a coincidence. The federal proposal probably had much to do with the unity crisis and the poor federal handling of secessionist threats. Nonetheless other pressures must be considered.

Challenges from the rest of Canada (ROC)

In the 1990s, provinces asserted their demands for increased financial resources and for more jurisdictional powers over social policy. It is important to note that Quebec was not the only province frustrated by the state of the nation during this period. Provincial governments other than Quebec, commonly referred to as the 'rest of Canada' or ROC, also lodged challenges to the federal government. As noted earlier, provinces were disappointed by federal cuts to transfers. This frustration was expressed during inter-provincial meetings that resulted in provincial calls for the federal government to respond. For example, at the 1994 annual meeting, premiers expressed concern over the lack of efficiency and effectiveness of national social programmes.

At the 1994 meeting premiers agreed to establish a mechanism that would allow provinces to 'collectively assume a more co-operative leadership and co-ordination role with respect to their common national agenda in their areas of responsibility' (1994 Annual Premiers' Conference Communique). Motivated by their desire to seek greater powers, the provinces agreed to collaboratively pursue an agenda of social policy renewal.

Political interest influences are evident. Inter-provincial co-ordinated efforts to pressure the federal government for greater authority, illustrates the competition between

province-building and nation-building dynamics within the Canadian federal state. In response to federal unilateral attempts to meet its interests, provinces organised and collectively pursued greater decentralisation in order to meet their own interests. With regard to these pressures for decentralisation, the province of Alberta was extremely vocal. As will be discussed in Chapter 6, historically, Alberta has led the provinces in challenges against the federal government.

At the 1995 Annual Premiers' Conference, premiers established the Ministerial Council on Social Policy Reform and Renewal, and they commissioned a ministerial report. The Ministerial Council Report, released in early January 1996, represented a consensus perspective among all provinces except for Quebec.

The report offers a number of observations from the provincial perspective during the mid- 1990s. Generally, the report is a reaction to several years of federal (unilateral) fiscal decision-making, which had had the effect of increasing the costs of social service provision for provinces. The report calls for greater co-operation and dialogue between the two levels of government prior to initiating major changes in social policy. Also, the report affirms the need for adequate levels of federal fiscal transfer payments to the provinces to fund social welfare provision. The report criticises the way the federal government managed its fiscal problems, and especially the unexpected and dramatic cuts in the federal budget in 1995. Furthermore, the report expresses provincial frustration about not being consulted prior to implementing changes that significantly affect them.

The provinces observed that the federal government was instituting major changes in social policy, 'while at the same time insulating itself from the negative financial impacts of its actions' (The Ministerial Council Report, 1995: 3). As the containment of

debt and deficit was on the agenda of all provinces during the mid- 1990s, the report did recognise the need for federal fiscal cut backs. Yet, the report notes the cut backs in federal transfers to the provinces were three times greater than reductions in other federal spending. According to the 1995 budget, between 1995 and 1997, decreases to fiscal transfers to provinces amount to 25.4 per cent, where reductions in federal spending amount to 8.8 per cent (The Ministerial Council Report, 1995). The report calls for the federal government to cut its own spending by at least as much as it reduces transfer payments to provinces.

The Ministerial Council Report calls for intergovernmental co-operation in the reform of social policy, including health, post-secondary education, income support, social services, and labour market programmes. The report emphasises the problem of high costs and loss of accountability associated with the overlap and duplication of federal and provincial programmes, and points to the need for clarifying roles and responsibilities of both levels of government. The report offers a number of recommendations in social policy.

With respect to labour market programmes, the Council Report suggests that national programmes should be flexible so that innovation across provinces is encouraged. The report states that any approach to labour market training:

must be sufficiently flexible to allow individual jurisdictions to experiment to meet the particular needs of all Canadians. Flexibility is key to ensure that experimentation with new approaches can be undertaken.
(Ministerial Council Report, 1995: 11)

Provincial criticism of federal actions is noted in the Premiers' annual meetings in 1994 and 1995, and in other provincial reaction to cuts to transfers as mentioned earlier.

Provincial calls for clarity between federal and provincial roles and responsibilities, and for greater co-ordination among all levels of government asserted pressures on the federal government to concede some measure of authority through the devolution of policy.

Pressures from provinces other than Quebec must be acknowledged as a potential influence on the federal proposal for labour market devolution. This section has discussed the significance of provincial pressures on the federal government's decision to make the proposal to devolve labour market policy to provinces. Federal-provincial power struggles illustrate the competitive dynamic of the political interest argument, as the two levels of governments assert their interests at the expense of the other.

The next section will address unemployment insurance policy in Canada, as part of this legislation is proposed for devolution. A brief historical review will be offered, and some of the major policy reforms will be addressed. The formal proposal for the devolution of labour market policy will be examined, and the significance of changes made to federal Unemployment Insurance will be discussed, as these reforms influenced how provinces perceived the federal proposal.

Federal unemployment insurance policy: Reform and devolution

This section will examine the details and federal priorities of the proposal for devolution. Prior to this, it is necessary to examine the historical background to Unemployment Insurance (UI), to illustrate the significance of reforms that preceded the official proposal. As will be seen, reforms to UI set the parameters for the proposal to devolve labour market training policies to the provinces.

Of significance is the trend of fiscal cut backs, and the shift towards a greater focus on active measures in the 1980s and 1990s. Fiscal restraints imposed upon UI affect all provinces. However, such restraints are especially consequential for provinces like Nova Scotia, where historically high unemployment rates, coupled with a dependence on seasonal employment have made UI a very important source of income for the province. Important to this thesis (and an issue to be discussed further in chapter 7) is the fact that Nova Scotia's fiscal vulnerability and the unreliability of UI as an income source was instrumental in the province's position on the federal proposal for labour market devolution. Consequently, a review of UI's historical significance, policy reform, and fiscal context will be offered.

Establishment and reform of unemployment insurance

The original Unemployment Insurance (UI) Act was established in 1940, and has been succeeded by revised UI Acts in 1955, 1971 and most recently in 1996, when it was renamed the Employment Insurance Act. Each Act in its turn has undergone a number of amendments. Prior to 1940, responsibility for issues concerning unemployment fell under provincial authority as prescribed by the Constitution Act in 1867. However, the hardships experienced during the Great Depression overwhelmed the capacity of provinces and municipalities to provide relief to millions of jobless Canadians who could not escape the economic downturns that led to unemployment.

The challenges posed by soaring unemployment pointed to the need for a national social insurance programme. The Employment and Social Insurance Act, introduced in parliament in 1935, was defeated on constitutional grounds as it was alleged the federal government had attempted to intrude in an area of provincial jurisdiction. Nevertheless,

the constitution was eventually amended to give the federal government the authority needed to pass the Unemployment Insurance Act in 1940.

Unemployment insurance was a creation of the 1930s and 1940s and thus reflects the rationale and analysis of that time. It was held that economic expansion and contraction had a mirror effect on employment and unemployment. It was believed that workers could not control these cycles, and therefore 'the costs in lost income to workers, should be shared among all workers and employers' (Armitage, 1996: 72). The costs of UI were actually divided among employees, employers and the federal government. Lin (1998) outlines the initial central objectives of UI as follows: to contribute financial support to the unemployed; to assist people to find work; to relocate unemployed workers from high unemployment regions to low unemployment regions; and to provide the disadvantaged with some assistance. Coverage was compulsory; however, many workers were excluded from eligibility.

Initially, UI covered about 42 percent of the labour force (Government of Canada, 1994c). Coverage was restricted to those employed in work considered to be at moderate risk for unemployment, whereas those employed in either relatively secure or highly unstable work, including seasonal employment, were excluded. Individuals with annual employment earnings exceeding \$2,000 were also prohibited from receiving benefits. Some industries and services, including government services, were excluded.

In the decade of its inception, the unemployment insurance system underwent many changes. In 1942, the administration of the programme was transferred to the Department of Labour. Other significant changes included the expansion to provide for discharged soldiers and an increase in the yearly earnings ceiling. Coverage was

broadened; and overall, benefits increased. Half of Canada's workers were covered by unemployment insurance toward the end of the decade. By the 1960s, coverage had expanded to 68 per cent of the working population.

In the 1970s, reforms to the unemployment insurance system broadened coverage to the extent that it became almost universal. This period of unemployment insurance reform is frequently characterized as a period of liberalisation (Lin, 1998). The amendments of the 1971 Unemployment Insurance Act expanded coverage to almost all workers except those who were self-employed, those aged 70 years or older, and those who did not acquire the required minimum of insurable weeks. The liberalisation of the 1970s can be contrasted with reform in the last ten years, as the programme has been cut back on several fronts. Cut backs concerning the extent of coverage, eligibility requirements, and amount of benefit accrued through the programme, will be addressed briefly.

The UI system was reformed following the release of several government reports in the 1980s that called for major changes (Battle, 1998). There were concerns over high costs and about the economic incentives of UI (Lazar, 2001). For example, unemployment insurance was seen as contributing to rises in unemployment by increasing the unit cost of labour to the employer and by acting as a disincentive to accept work (Green, 1994). Armitage (1996: 54) summarises this line of thought by stating 'Thus the fear is that the income security system is growing at the expense of the willingness to work'.

In the latter 1980s, the federal Conservatives responded to criticisms of the unemployment system through restricting access to UI by increasing the required number

of weeks worked needed for entitlement (Battle, 1998). Also, they discontinued the partial federal funding of extended benefits to regions most affected by high unemployment, and they withdrew federal funding for training.

The financial responsibility of UI grew far more onerous in the 1990s. The costs of UI nearly doubled from \$9.3 billion to \$18.5 billion over the course of two recessions during 1982-3 and 1991-2 (Green, 1994). In 1995, the Liberal government announced its plans to initiate significant reform to Unemployment Insurance, including changing the name of the programme to Employment Insurance (EI). Reforms resulted in a \$2 billion cut to EI. The federal government announced that half of the savings would be reinvested in new programmes focused on active employment initiatives, and the other half would be used to reduce the federal debt (Tzembelicos, 1996).

The new Employment Insurance (EI) Act implemented in 1996, introduced more extreme programme restraint than witnessed in the 1970s and 1980s. The Liberals' reforms encompassed tighter eligibility rules, reduced benefit amounts, and shorter benefit periods (Battle, 1998). In 1989, 87.3 per cent of unemployed employable workers received unemployment insurance benefits. In marked contrast, 41.7 per cent of unemployed employable workers received benefits in 1997. The amount of benefits received have decreased, where the average weekly benefit in 1997 was \$249.72, the weekly amount in 1992 was \$272.05.

Another way to look at the amount of benefit received is to review the replacement benefit rate (RBR). In 1971, eligible persons with dependents could expect a replacement rate of 75 per cent of 'insurable earnings', where persons without dependents could expect to receive 66.67 per cent of 'insurable earnings' (Lin, 1998: 67). In 1994,

the replacement rate for persons with dependents and low income, 'those with weekly earnings of less than half the maximum insurable earnings' fell to 60 per cent and to 55 per cent for all other persons (Lin, 1998: 74).

How the programme was funded was also changed. The responsibility for the funding of the unemployment insurance programme shifted to the employer and employee alone when, in 1990, the federal government withdrew its financial support for UI programmes. This change was in marked contrast from the Unemployment Insurance Act of 1971, which deemed the funding of the system to be the responsibility of workers, employers, and the federal government.

In sum, in the 1940s, the federal government fought to amend the constitution to implement a national unemployment insurance programme, yet as this historical review points out, federal support for this programme has dwindled significantly. Generally, reform to the UI/EI programme since the late 1980s represents a distinct contrast when compared to the liberalisation of the 1970s. This retrenchment appears largely driven by the federal government's desire to reduce the fiscal burden of EI and to contain debt and deficits. Thus, reforms to unemployment policy serve to extend the federal government's fiscal interests at the expense of promoting the interests of unemployed Canadians. Further, as in the case of Nova Scotia, provinces with high unemployment rates are especially vulnerable to federal retrenchment in this policy area. Consequently, reform to unemployment policy illustrates how federal and provincial political interests compete with each other.

Parameters of the labour market devolution proposal: Accountability framework and eligibility

In the proposal, the federal government clearly stated its intention of maintaining its responsibility for the delivery of insurance benefits to EI clients, (under Part I of the EI Act) thereby remaining accountable to both the Parliament of Canada and to Canadians who contribute premiums to the EI account. As discussed in Chapter 3, the federal government made a proposal to provinces for the devolution of responsibility for the design and delivery of active benefits as outlined in Part II of the 1996 EI Act. These active re-employment measures include targeted wage subsidies; earning supplements; self-employment assistance; job creation partnerships; and skills loans, and grants.

The federal proposal outlines how accountability is to be evaluated. The federally created accountability framework sheds light on what influenced the federal proposal to devolve labour market training. Federal priorities concerning eligibility and financial savings for the federal government will be examined.

Under the heading 'Principles and parameters for agreements' the proposal highlights the accountability framework used to ensure effectiveness and efficiency in the design and delivery of all labour market activities. The proposal outlines the federal government's expectations around service priority for EI clients and the reduction of expenses related to Part I income benefits:

For planning purposes, results will be based on: priority access for EI claimants, jobs secured for EI clients, with emphasis on EI claimants (persons currently eligible for insurance benefits), and saving to the EI Account through reduced dependency on employment insurance benefits. (Canada, HRDC, 1996a: 3)

It is interesting to note how the results sought after (concerning Part II-the policy to be devolved) actually served to reduce reliance on federal benefits (concerning Part I-the policy that remains under federal responsibility). While it is appropriate for all governments to be accountable, the federal government's insistence that success be based on reducing costs to itself is noteworthy considering the significant fiscal surplus in the unemployment insurance fund. It is argued that the proposal prioritises federal government interest over public interest, because the federal government sought reduced costs for itself even when the unemployment insurance fund was fiscally abundant.

An explanation about the fiscal surplus in the unemployment insurance fund is required. Prior to 1993, the UI Programme operated under deficit conditions but since then the programme has garnered surpluses. In 1994, the surplus exceeded \$3.5 billion and gained further ground with surpluses approaching \$6 billion for the following two years (Lin, 1998). It is suggested that this surplus was created, in part, from the reforms to the UI/EI programme. As mentioned earlier, reforms to UI/EI from the 1980s through to the mid- 1990s affected significant restraint pertaining to eligibility, benefit amounts and time periods of benefits allowed.

According to Lin (1998), the massive growth in surpluses can be credited to three interrelated factors. To begin with, improvements in the economy led to an unprecedented steady growth of premium contributions from both employers and employees. Secondly, there has been a significant decline in the number of people accessing the programme. In 1991, 1.16 million people received regular unemployment benefits, compared to 0.71 million by 1996.

Another way of illustrating this decline is to compare the number of unemployed with the number of people who receive regular unemployment benefits. This is known as the beneficiary/unemployed or (B/U) ratio. In 1989, the B/U ratio stood at 83.4 per cent, plummeting to 48.1 per cent in 1996.

Thirdly, benefit rates have significantly decreased. Naturally, given the sharp decrease in beneficiaries, the amounts paid out have also declined. In 1992, benefits paid out totalled in excess of \$19 billion, where in 1996, the pay-out dropped to \$13 billion (Lin, 1998). Also, the benefit amount has decreased where the average weekly benefit in 1997 was \$249.72 the weekly amount in 1992 was \$272.05 (Battle, 1998).

In sum, the dwindling federal fiscal commitment to EI (as illustrated in the historical review) and the resulting significant growth in the unemployment insurance fund, are relevant to whether the federal government was influenced by self-interests, or the interests of the general public, in making the proposal for devolution. It is suggested that the federal government's interests superseded the interests of the public. Federal government self-interest is further illustrated by restrictions in the accountability framework, where success is measured by the amount of money saved in the unemployment insurance fund.

Influences of the federal proposal to provinces: Federal and provincial civil servants respond

This section of the chapter will discuss the findings from the primary data. As reviewed in Chapter 4, primary data was gathered through interviews with 21 federal and provincial civil servants, who are knowledgeable about the development of the Labour Market

Development Agreements (LMDA) in their province. As discussed earlier, the study examines the influences of the federal proposal and the positions and decisions made about the LMDA in the provinces of Alberta and Nova Scotia. This section of the chapter will continue to make the argument that political interests are more influential in this regard than public interests.

The significance of Quebec and the unity crisis

As suggested in the discussion on political pressures in the 1980s and 1990s, issues related to Quebec, including failed attempts at constitutional renewal and the referendum on sovereignty largely influenced the federal proposal for devolution. The majority of respondents interviewed in this study support the suggestion that the federal proposal was strongly influenced by “the political dynamic with the province of Quebec” (NS-FD-R).

All of the provincial and federal respondents from Alberta, and just under three-quarters of provincial and over three-quarters of federal respondents from Nova Scotia noted that satisfying Quebec was the major incentive for the federal devolution proposal. These respondents held that the federal government was under pressure to respond to the needs of Quebec in light of the unity crisis that followed the failed Meech Lake and Charlottetown Accords. As one Nova Scotia federal respondent comments:

I think it was pretty clear that the proposal was an attempt by the federal government to try to respect some provincial jurisdictions in relation to training of the workforce under the broader category of education. I guess in more specific terms they were interested in Quebec and their claim that workforce training and related matters were provincial jurisdiction. And, it was an opportunity to show Quebec that federalism can work and is flexible and there's good reason to stay in this country.
(NS-FD-Q)

The respondents maintain that the federal government agreed to concede some control over labour market policy in response to the unity crisis. As noted by a Nova Scotia federal respondent, “we were very influenced by the Quebec referendum” and therefore, the devolution proposal was a response to:

political pressure around Quebec, after the referendum, to give Quebec more control over areas that were critical to Quebec. This area (labour market training) was obviously a key one for the province of Quebec.
(NS-FD-U)

A Nova Scotia provincial respondent agrees, and comments:

I think the proposal mainly had to do with Quebec’s position about taking control over training. From their perspective it was provincial jurisdiction and the proposal was partly to appease that political position.
(NS-PR-L)

Since the 1960s, Quebec has held that labour market training falls under provincial jurisdiction and has long argued for greater devolution in this area. However, as noted by all of the Alberta provincial respondents, their government has also long argued for devolution of labour market training. Moreover, comparing the influence of Quebec with the influence of other provinces such as Alberta, one Alberta provincial respondent recalled that early in the 1990s Alberta was developing a position on labour market devolution, yet the federal government was not willing to discuss the matter. However, with the near loss of the 1995 Quebec referendum, the federal government became more co-operative about devolving labour market policy. The respondent explains:

It was extremely frustrating in the early 1990s when we were developing an Alberta position on labour market devolution, because at that time we had a hell of a time getting these guys (federal civil servants) to even listen to us. They just didn’t take us seriously at the time. So that was rather

frustrating but then with this whole Quebec thing. I think it was specifically the last referendum and the whole thing around Quebec that changed the federal government's mind and they said well OK, let's go across the board and talk about this and then all of a sudden they became much more co-operative.
(AB-PR-B)

Half of the Alberta provincial respondents suggested that provinces including Alberta, believed the offer was an attempt to appease Quebec and provinces took advantage of the federal government's vulnerability to gain their own advantage. On this issue two Alberta provincial respondents comment:

Essentially, I think several provinces got on the band wagon and tried to- I wouldn't go as far as saying exploit- but you know, we were quite aware of some of the weaknesses of the federal government, and their preparedness to do something in order to keep Quebec happy and to try to benefit from that.
(AB-PR-B)

Alberta was pushing the federal government to do this and usually it's Quebec and Alberta that are the ones that are pushing the fence on this one. Quebec of course had wanted this. This was a long-standing Quebec issue. I think the feds offered it because of Quebec but we were as eager to take advantage of it as Quebec.
(AB-PR-A)

This suggests that the federal government could not have promoted asymmetry in this environment where other influential provinces such as Alberta, also wanted devolution. No doubt, provinces such as Alberta would have sharply responded to any special offers for devolution made to Quebec alone.

Before moving on, two other issues that relate to the significance of Quebec are noteworthy. First, looking specifically at the data from federal respondents in both provinces, there is some reference to a lack of federal planning in developing the proposal and a lack of knowledge about the devolution proposal among elected officials.

Respondents suggest that the proposal was initiated by the Prime Minister's office without extensive consultation with senior bureaucratic officials and elected officials. On this issue, an Alberta federal respondent explains how he/she became aware about the proposal. The respondent remarks:

I was in an office in a national meeting literally days before the offer was going to be made. Our NHQ (national headquarters) folks connected the dots for us. Well this clause and that clause and two days from now our minister will be making this offer to provinces; a speech will be made, and then eventually this letter came out. This was news to us. Nobody had an inkling- so this would be Privy Council office, Deputy Ministers, super high.
(AB-FD-F)

Further, this Alberta federal respondent commented on what appeared to him/her to be an unexpected and sudden shift in federal policy. The respondent states:

The decision to withdraw from training activities came after a zillion years of saying that "provinces have jurisdiction over education, and training is not education". I mean on a dime- they can turn 25 years of rhetoric- and oh! by the way training is now provincial jurisdiction. That may come across as cynical but that's how I see it. That's why I say this was a politically driven, it's not as if there was a wide body of federal bureaucrats who had a hand in shaping and crafting this.
(AB-FD-F)

Half of the Alberta federal respondents and less than one-quarter of the Nova Scotia federal respondents commented on the lack of involvement of a wide range of federal civil servants in drafting the labour market devolution proposal. Also noted among these respondents was the lack of a clearly thought out policy frame at the beginning of the negotiations. That Alberta federal respondents were more willing to openly criticize their own government is interesting and perhaps related to the fact that greater devolution took place in that province.

Another Alberta federal respondent commented on the difficulty of negotiating the first LMDA in Canada without a clear policy framework in place. The respondent is a senior official who talked about a conversation he/she had with the federal deputy minister from headquarters in Ottawa, a few days after the official proposal for devolution was announced. The respondent states:

...he came out to Alberta and he had been to Quebec. So, this was his second stop. He said, what do you think? Are we going to do these deals? I said, well if the government of Canada wants to do them, we'll do them. And he looked at me and he said, you seem perplexed. He said, what's worrying you? I said, well let me put it this way. I don't worry much about the provincial government. I can sit down with them and figure out where they are coming from, I'm worried about the feds. He said, what do you mean? I said, in my experience of over 30 years sometimes I'm hard pressed to understand where the feds are coming from and where our policy frame is. You know the offer has been made to all provinces, so our policy frame has to be formulated against a background. This is not a bilateral between me and Alberta, it's a bilateral between Canada and Alberta; but Canada's policy position is formulated relative to how will this fly in Ontario how will it fly in Quebec how will it fly in the NWT how will it fly in PEI...I can't sit down and do the deal with the Province of Alberta without validating constantly what the federal government's position is on any given issue. Short story: We didn't have a solid policy frame so, essentially, it evolved.
(AB-FD-G)

This respondent went on to give an example where Ottawa gave approval for a matter and then changed their position. The respondent explains:

Another conference call, somebody else had come into the debate and said what about this and what about that; and well maybe we should give this a little further thought. I can't recall exactly what piece it was but it was around whether or not a certain approach related to Part II would open the door to Part I. The question put to me was, where are you at with the Province of Alberta? I said, well, based on the last discussion I've got a letter signed off by the provincial deputy. Oh, well do you think you could pull it back?
(AB-FD-G)

Also, comments were made about how politicians did not understand the nature and the full extent of the federal proposal. For example, politicians did not understand that provinces were also offered responsibility for the counselling programmes that accompanied federal labour market training. One Nova Scotia federal respondent explains:

When the federal politicians were briefed on the offers in each province- they thought they only offered training...they got a little bit scared... We said no, this is really what you offered and here's what's going to the provinces. There was all of a sudden oh- we didn't really mean that did we?

(NS-FD-T)

Second, looking at the Alberta data, half of the provincial, and half of the federal respondents thought that the federal government wanted to avoid creating the impression that the proposal was offered primarily to appease Quebec. Moreover, the pressure to sign with an influential English-speaking province first, was described by one federal respondent as "intense" (AB-FD-F). On this issue, a provincial respondent comments:

Certainly the federal government very much wanted us to be the first to sign an agreement. They didn't want to be seen signing the first agreement with Quebec and felt that Canadians would interpret that as one more time- giving the farm away to Quebec, and so they were pretty anxious for us to make a deal.

(AB-PR-D)

The argument is made that the federal government acted in its own interest when it made the proposal for devolution. It is suggested that the federal government attempted to recover from the near loss in the referendum on sovereignty, by devolving labour market policy to Quebec and the rest of Canada.

In sum thus far, it would appear that pressures from Quebec and the unity crisis in general, influenced the federal proposal. Further, some respondents offer support for the political interest argument when they draw attention to the lack of common knowledge and overall policy framework to oversee or guide the negotiations. Also, the suggestion that Alberta was chosen as the first province to enter a devolution agreement, in order to deflect attention away from Quebec, adds further support for the notion that the federal government was in fact attempting to appease Quebec. However, the respondents offer other explanations that need to be addressed. As will be seen, these additional explanations are closely connected to the issue of Quebec.

Provincial pressures and federal attempts to promote the perception of co-operative federalism in Canada

All of the Alberta provincial and federal respondents, and just under three-quarters of the federal and less than half of the provincial Nova Scotia respondents voiced the opinion that the proposal was influenced by provincial pressures concerning long-standing constitutional, and jurisdictional debate over labour market policy. Respondents note that in particular, Alberta and Quebec have long argued that labour market policy falls under provincial jurisdiction.

Respondents point to the fact that both Quebec and Alberta have pushed for provincial rights based on the argument that labour market training is part of the education sector, and therefore falls under provincial jurisdiction. The political interest argument is relevant to this because it demonstrates how federal and provincial governments have different views about jurisdiction over particular policy matters. Discord about distinctions between 'education' and 'training' illustrate federal-provincial

competition over jurisdiction where governments are viewed as attempting to increase their power and extend their political reach.

One Nova Scotia provincial respondent notes that although the federal government officially stated it was responding to the ongoing lobbying efforts from several provinces for the repatriation of provincial jurisdiction over training, the Nova Scotia view was that the federal government was mostly motivated by the demands of Quebec. This respondent remarks:

The federal government's view was that they did it in response to on-going provincial lobbying for repatriation of provincial jurisdiction over education and training. That was not something that Nova Scotia bought into. Our view was that this offer was a response by the federal government to demands by the province of Quebec and that the rest of the country was, in fact, drawn into that through this offer. When we finally got down to signing an agreement, we tried to have reference to the provincial interest in repatriation of training removed from the agreement. We felt that was misleading in terms of Nova Scotia. We had never asked the federal government to get out of the business of supporting training. (NS-PR-N)

This comment illustrates an important difference between the two provinces compared in the thesis. While Alberta had long advocated labour market devolution, Nova Scotia took a very cautious position on this matter. These themes will be explored further in this thesis, because they illustrate how divergent provincial experiences of federalism result in different perceptions about devolution. And, consequently, the models of LMDAs vary across the country. Wealth and overall access to fiscal and policy resources vary among provinces, and this is illustrated through the Alberta and Nova Scotia LMDAs.

As noted above, most of the respondents viewed the federal government labour market proposal primarily as an attempt to appease Quebec. Yet, given the failed attempts at constitutional renewal and the growing fatigue and frustration of the Canadian electorate, the proposal could also be seen as an attempt to demonstrate to all of Canada that federalism could work. In other words, the proposal illustrated the federal government's willingness to become more co-operative than before, thus promoting the legitimacy of federalism (as embodied in the Liberal federal government).

This interpretation was supported by three-quarters of the Alberta provincial and half of the federal respondents, and just over half of the Nova Scotia federal and none of the provincial respondents. One Alberta provincial respondent commented that the federal government saw labour market devolution as an opportunity to deal with some of the outstanding provincial issues at a time when the idea of "rejigging social policy roles and responsibilities" (AB-PR-B) among provinces and the federal government was a popular one.

Perhaps most notable is the absence of Nova Scotia's provincial support for this interpretation. When discussing the rationale of the federal government proposal, Nova Scotia provincial respondents focused mainly on the political imperative of Quebec. Also, as will be seen in Chapter 7, Nova Scotia did not have a great deal of policy expertise, and they lacked resources and experience related to labour market training. Traditionally, Nova Scotia has not pushed the federal government for devolution in this policy area. Accordingly, perhaps this is related to why Nova Scotia provincial respondents did not perceive provincial demands for greater devolution in labour market policy as a credible explanation for the federal proposal.

Before moving on to examine public interest influences, it should be observed that less than one-quarter of the respondents in both provinces pointed to the upcoming federal election as a notable influence on the federal proposal. Those respondents that did think the election was influential suggested that there was federal pressure to make a deal as soon as possible because the election date was near. This is particularly significant to Nova Scotia because the period during the negotiations was closer to the election date than it was in the case with Alberta. The Alberta and Nova Scotia agreements were signed respectively, on December 6, 1996, and April 24, 1997. The federal election was on June 2, 1997. On this, one Nova Scotia provincial respondent remarks:

We were within, I think, days of the federal election call. The Prime Minister made it clear that he wanted agreements signed across the country... The election shouldn't be dismissed in terms of being a critical time-line. Nova Scotia had a Liberal government. The Government of Canada was Liberal. The federal government wanted to be able to move with agreements across Canada and I can't imagine that Nova Scotia politically, wouldn't want to try and work something through... We felt we could work with the framework that we'd come to and we signed.
(NS-PR-N)

While it would appear that the federal government was influenced to make the proposal in response to the political imperatives it faced, including the unity crisis and calls from provinces including Quebec and Alberta for increased autonomy over labour market policy, it is important to note that some respondents offered additional explanations. These latter explanations are related to the public interest argument.

Influence of public interests

The official federal proposal suggests that public interests will be better served by devolving federal labour market responsibilities to provinces. The proposal supports the notion that federal-provincial bilateral labour market agreements will result in greater policy efficiency and effectiveness. As stated in the proposal these, 'new arrangements will improve client service, create more and better employment opportunities for Canadians and eliminate overlap and duplication' (Canada, 1996a).

For some respondents, the devolution proposal was influenced by the federal government's desire to improve labour market programmes for Canadians. The thought was that devolution could lead to effective policy because local control would facilitate a better understanding of labour market needs. Further, efficiencies could be gained because devolution would reduce overlap and duplication between federal and provincial labour market policies. Yet, the respondents support these explanations to a far lesser degree, compared to the support that exists for 'political' explanations.

For example, one-quarter of the Alberta federal and just over one-quarter of the Nova Scotia federal respondents thought that the proposal was influenced by the belief that provincial governments could design and target services and programmes more effectively than the federal government. In this scenario, compared to the federal government, the provincial government is envisioned as being closer to citizens.

Three-quarters of the Alberta provincial respondents believed that their closer proximity to citizens, led to greater awareness of local labour market needs, and therefore,

policy would be more effective than before. However, these Alberta provincial respondents did not offer this as an explanation for the federal proposal.

A similar trend is noted with respect to the extent to which respondents held the proposal was influenced by the desire of the federal government to reduce inefficiency resulting from overlap and duplication. Less than one-quarter of Nova Scotia federal respondents noted that the federal offer was motivated to improve efficiencies related to overlap and duplication.

While all of the Alberta provincial respondents agree that overlap and duplication between federal and provincial programmes results in significant inefficiencies, they do not support the view that the federal government perceived this as a problem which needed to be resolved.

Moreover, while three-quarters of the Alberta federal respondents acknowledged the popular assumption (primarily among provincial counterparts) that inefficiencies resulted from overlap and duplication, they doubted these problems existed to any significant extent. On this issue an Alberta federal respondent states:

Even though programmes may have been similar, the provincial government targeted its job search programme at social assistance and non-EI recipients and the federal government targeted its programme at EI recipients. So in effect- even though there was a perception of significant duplication and overlap when you looked at a little bit further, maybe the duplication and overlap wasn't as great as it may have been thought to be. Nonetheless, as is often the case, the perception was that there was a lot of duplication and overlap.
(AB-FD-H)

None of the provincial respondents from Nova Scotia noted that the federal government was motivated to improve the effectiveness and efficiency of the labour market. As will be seen in Chapter 7, Nova Scotia's perception on how it could affect greater effectiveness and efficiency through devolution and local autonomy was complicated by the province's lack of capacity and resources available to devote to labour market development activities. While Alberta respondents strongly support the view that local control would facilitate effective and efficient labour market outcomes, the province of Nova Scotia was cautious about its capabilities in this area. This disparity of opinions between Alberta and Nova Scotia reflects the fact that these provinces have very different histories with labour market training.

Alberta, being a relatively wealthy province, has invested substantial resources into developing its own labour market policies. Thus, in that province, both provincial and federal policies and programmes are operating at the same time. As mentioned earlier, and as will be discussed later in the thesis, overlap and duplication among federal and provincial policies is a considerable problem according to the Alberta respondents. Nova Scotia, on the other hand, has far less wealth than Alberta and has not developed an integrated provincial labour market policy. In that province the federal government has historically taken the lead in labour market policies and therefore, overlap and duplication is not viewed as a concern. Nova Scotia and Alberta's unique experiences in this regard will be discussed in Chapters 6 and 7.

Conclusion: Political and public interest influences on devolution of federal powers

To set the context for this chapter, some of the pressures facing Canada and in particular the federal government, from the mid- 1980s to mid- 1990s were examined. In

examining the rationale of the Canadian federal proposals for devolution of labour market and social insurance policies in 1996, this chapter has discussed several influences. These influences include constitutional discord, the unity crisis and Quebec, provincial demands for greater devolution, and the federal intent to improve labour market policies for Canadians.

This chapter also examined federal reforms to the Employment Insurance Programme, some of which closely preceded the proposal for devolution. Noted was the significance of the federally imposed accountability framework that defines success, in part, as savings to the federal government.

In response to fiscal problems brought on by accumulated debt and deficit, the federal government significantly decreased fiscal transfers to provinces in the early 1990s. These deep cuts to federal transfers to provinces contribute to the increasingly significant provincial role in financing social programmes. Federal fiscal restraints have contributed to provincial discontent, which has served as an additional pressure on the federal government to extend greater authority to the provinces through devolution.

It was argued in this chapter that the federal devolution proposal was a response primarily to the unity crisis invoked by the Quebec referendum, and provincial demands for both jurisdictional clarification and realignment regarding several policy files, including labour market training. It is suggested that the proposal was part of the federal government's strategy to build more collaborative relationships with provinces in order to demonstrate that federalism could be flexible enough to respond to provincial concerns.

Most of the respondents commented on the influence of jurisdictional positions asserted by Quebec and other provinces, as a significant impetus for the federal offer. However, respondents strongly support the premise that the primary driver of the proposal was to appease Quebec. In comparison, little support was offered by respondents for the thesis that the proposal was influenced by public interests. Relatively few respondents thought that the proposal was made in part to improve the effectiveness and efficiency of policies for Canadians.

This chapter set out to offer some preliminary assessment concerning whether the federal proposal was influenced primarily by political interests, or whether public interests were significantly involved. In the devolution proposal, the federal government recognised the long-standing provincial demands for clarification and realignment in labour market responsibilities. At the same time, as mentioned earlier, the federal government claimed it wanted to improve labour market policy for Canadians. Yet, the political environment of the mid- 1990s demanded that federalism be more responsive to regional issues than it had been in the past. The evidence offered thus far supports the premise that the proposal to devolve labour market training can be seen as a response to a set of political imperatives facing the federal government in the early to mid- 1990s.

In the next two chapters the thesis turns its attention to provincial experiences and positions taken when considering the federal proposal. The thesis that- decisions made by Alberta and Nova Scotia governments about devolution are influenced more by political interests than by public interests will be examined. Although the primary focus will be ‘provincial’ per se, federal priorities and influences will continue to be examined. As will be seen, the process of negotiating the LMDAs allows for further examination of federal motivations and priorities.

Chapter 6

Devolution of Federal Labour Market Policy to Alberta

Introduction

This chapter will focus on the devolution of federal labour market policies to the province of Alberta. This issue, and the negotiations between Alberta and the federal government that led up to devolution, will be examined to determine both federal and provincial priorities, attitudes and overall positions. The main thesis is that the devolution of governmental power and authority, as illustrated by the labour market policy case study, is driven primarily by political influences, and that other pressures- for instance those of public interest- are secondary. Therefore, the chapter will review the extent to which, both governments' positions are determined by either political or public interests.

It will be suggested that Alberta's experience of Canadian federalism shaped its political response and perceptions of policy-makers and politicians on the federal proposal. Historical political events will be reviewed and evaluated as potential influences on Alberta's stance towards labour market devolution. This historical review will provide background for an evaluation of the federal-provincial negotiations and positions asserted by the respective governments. In light of this historical context, the primary data will be reviewed in attempt to draw some tentative conclusions pertaining to labour market devolution and the significance of political and public interests in the case of the Canada-Alberta LMDA.

Central Canada and Alberta: Centre and periphery relations

Alberta did not become a province in its own right until 1905. Much of Alberta's experiences as a relatively new member in Canadian Confederation have been affected by its geographical location and by the size of its population. Of importance is the province's proximity to the centre of Canada. Alberta is very far away both literally (3,574 kilometres or 2,220 miles) and figuratively from Ottawa, the country's capital city, which is located in the province of Ontario (Colombo, 1992).

Ontario and Quebec are the two provinces with the largest populations, and they are located at the political centre of Canada. As of 1996, Ontario and Quebec's populations amount to 11, 258.4 and 7, 388.4 respectively, and Alberta's population of 2, 793.3 is comparatively smaller. Proportionately, Alberta's population represents only 9.3 per cent of Canada's population. In contrast, Ontario and Quebec respectively comprise 37.6 per cent and 24.7 per cent of the Canadian population (Jackson and Jackson, 2001). The striking differences in the size of Alberta's population compared with Ontario and Quebec is significant as Alberta's smaller population limits the extent to which it is represented in the capital city of Ottawa, otherwise known as the political centre of the country.

As noted by Diane Ablonczy, a Member of Parliament (MP) for Alberta, because Ontario and Quebec hold most of the seats in the House of Parliament, the federal government has lesser regard for other provinces. Ablonczy (2001) states:

Because there are so many seats in Ontario and Quebec, as long as the federal government has a stranglehold on that area, it doesn't really matter so much whether they're responsive or respectful or inclusive of the input from other parts of the country.
(Ablonczy, 2001: 11)

The formula for the allocation of seats in the House of Commons is driven strongly by the principle of representation by population. This results in fewer seats allocated to western Canada. For example in 1993, out of the 282 parliamentary seats available, Ontario and Quebec held 95 and 75 seats respectively, where Alberta held 21 seats (Archer et al., 1999). To govern the country, national political parties must secure the electorate in usually both and at least one of these central Canadian provinces (Brooks, 2000).

Consequently, the interests of Ontario and Quebec are paramount to federal governments and this is reflected in the subordination of those interests stemming from peripheral regions namely northern, western and eastern Canada (Brooks, 2000). This domination of central and subordination of peripheral regions is demonstrated in the greater tendency of the federal government to implement its constitutional power and disallow provincial laws in peripheral regions. Although disallowance has not been exercised since 1943 (Dyck, 2000), the federal government has exercised this constitutional power on 112 occasions, and rarely have Ontario and Quebec's provincial laws been disallowed (Brooks, 2000).

According to Archer et al. (1999: 384), the 'regional distortion of votes into seats has reinforced regional alienation in Canada'. For example, in the 1970s and early 1980s the Liberal federal government initiated a series of energy policies that were vehemently opposed by Alberta. At that time there was no Liberal representation in Alberta and

therefore no Albertan representation concerning these policies in the House of Parliament (Archer et al., 1999). The issue of energy policy and the divide between federal and provincial interpretations of its control is extremely significant to understanding the concept of western alienation and will be discussed further.

Moreover, Quebec's substantial political strength within central Canada has contributed to western frustration and bitterness. With reference to Quebec and the concept of 'western alienation', it must be noted that many westerners resent the fact that issues most relevant to Quebec have predominated national politics over the last few decades (Brooks, 2000; Resnick, 2001; Gunter, 2001). In sum then, the considerable power wielded by central Canada (as embodied in the provinces of Ontario and Quebec) is significant to centre-periphery relations and to the existence of western alienation.

Before moving to the next section, it is important to recognise that the inter-provincial tension between Alberta and Quebec and Ontario, as just mentioned, illustrates the competition for power between regions. Governmental competition discussed thus far in this thesis has concentrated mainly on the tension between national and provincial interests. Yet, it is critical to acknowledge that competition among provinces/regions is a salient factor in the political interest argument as addressed in this research. This inter-regional conflict is relevant to both provinces examined in this study. Conflict between the Maritime region and other regions of Canada, will be examined in the case study chapter on the development of Nova Scotia's LMDA.

According to Elton (1988), the roots of western alienation and the dissonant nature of federal-western provincial relations can be traced back to the fact that the three prairie provinces were not extended the same constitutional protection as were all other provinces, when they joined the federation. For example, Saskatchewan, Manitoba and Alberta were not accorded rights over property and natural resources. The federal government reasoned that in the interest of the nation, it must retain control over crown lands to oversee the immigration and settlement of the region. (Elton, 1988; Brooks, 2000). This serves as an early remnant of competition between national and western regional interests in Canada.

Ottawa's treatment of western Canada pertaining to withholding property rights and natural resources is suggestive of colonialism, and perhaps represents a form of internal colonialism (Elton, 1988; Brooks, 2000). This unequal treatment among the provinces served as the central focus for relations between the federal government and the three prairie provinces for the first three decades of the twentieth century (Elton, 1988). There is a long-standing western perception that central Canada has taken advantage of the west's vulnerability by usurping and diverting its resources to benefit industry in central Canada. A cartoon quite popular among westerners was published in the Grain Growers Guide in 1915, and it illustrates the prairie provinces' frustration with their lack of control over natural resources. The cartoon depicts Alberta, Saskatchewan, and Manitoba as three farmers who are feeding a cow, which is being milked by three men dressed in formal attire, and the milk is being poured into three containers marked: Ottawa, Toronto and Montreal (Dyck, 2000).

In 1930, following thirty years of demands from the prairie provinces for the same control over property and natural resources accorded to the other provinces, the federal government finally conceded. Yet, according to Elton (1988: 349) the precedent had been set- the federal decision in the early years of Canadian federation to withhold from the prairie provinces constitutional rights extended to all other provinces, and thus deny them of equal treatment, would contribute to a 'legacy of distrust and animosity which has never dissipated'.

In later years when Alberta amasses significant wealth through the royalties it collected from oil and gas industries, and attempts to maintain that wealth by fiercely opposing what it perceived as federal intrusion into provincial jurisdiction, some commentators interpret Alberta's actions as stubbornly self serving (Lalonde, 1990). This is a sensitive issue for Albertans like Gunter (2001) who argue against the notion that western alienation is about western greed.

Instead, what irks westerners according to Gunter (2001: 15), is that central Canada fails to respect the differences in 'mind set and culture' that exist between central and western Canada; he suggests that westerners' positions on for example, 'parliamentary reform' and 'language policy' are 'dismissed as the product of less subtle and sophisticated minds'. Gunter (2001) describes an analogy that portrays central Canada as an overbearing father who recognises that his son is an independent adult, but he decides to continue to take his son's money and interfere in his life - telling him what to do at every turn.

While Gunter is probably one of the more outspoken westerners, the sense of alienation is widespread. According to survey research conducted between 1979 and

1985, four out of five western Canadians support the belief that Canadian political institutions are more accommodating to Ontario and Quebec than they are with western provinces; however, only one in twenty westerners said they would support separation (Elton, 1988). Moreover, even though four out of five westerners voice their frustration with Ottawa's favouritism of central Canada, they strongly identify with Canadian political institutions (Elton, 1988).

It would seem that western discontent stems more from a sense of marginalized status and alienation from the political and economic powers located at the centre of Canada, than it stems from the desire to become independent from the country as a whole (Jackson and Jackson, 2001). Given western Canadians' strong perception of being exploited by central Canada, politicians have an incentive to build upon and to consolidate their electoral support. As noted in the political interest argument in this thesis, internalisation of collective regional experiences serves to meet governments' objectives to maximise power and extend their political reach.

An economic boom in the 1970s and early 1980s fuelled a resurgence of western regional sentiment. The Social Credit party's thirty-six year rule came to an end in 1971 with the provincial election of Peter Lougheed and the Conservatives into government. Alberta's shift in political allegiance was mirrored in its transformation from an agricultural and primarily rural-based economy to an urban environment founded upon the development of the lucrative oil industry (Bickerton, 1999). As the former image of a financially weaker province was shed with the onset of extreme wealth produced from the marketing of oil and gas, 'the region finally found itself capable of challenging what it considered the intolerable domination of central Canada' (Jackson and Jackson, 2001: 251).

The energy policy debates that took place in Canada in the 1970s and early 1980s illustrate the conflict between national and regional interests, and thus are relevant to the political interest argument, which espouses, that governments compete for power. Also, this historical examination of Alberta's transformation from a poorer to richer province, serves as a contrast to Nova Scotia's experience of a province that initially benefited from Confederation only to be disappointed by federal decisions linked to its economic downfall. It is argued that- the historical development of Alberta and Nova Scotia's competitive relationship with central Canada, and other regions in the federal system, affected these provinces' positions and ultimate decisions during the LMDA negotiations.

National energy policy: Standoff between federal-national and Alberta interests

In 1972, the National Energy Board released a report that foresaw a shortage of oil resources for domestic consumption. High export rates were blamed for the anticipated domestic oil shortages. For example, even though Canada increased its oil production between 1962 and 1972 from 700,000 to 1, 7000,000 barrels per day, exports to the U.S. increased from 236,000 to 995,000 per day (Lalonde, 1990). In 1973, an oil embargo inaugurated by the Organisation of Petroleum Exporting Countries (OPEC) imposed an artificial rise in the cost of petroleum products.

With the onset of the 1970s, financial insecurities escalated in Canada. The federal government grew concerned over the country's ability to compete internationally, and to maintain the once seemingly continuous growth in employment and in the incomes of Canadians (Bickerton, 1999). With economic stagnation and rising inflation associated with the OPEC oil crisis in 1973, the federal government became deeply concerned about manufacturing industries in central Canada (Bickerton, 1999). While the OPEC crisis led

to extreme hikes in the price of petroleum products for oil-consuming regions, these changes constituted dramatic increases in profit for oil-producing regions, such as Alberta.

With the objective of safeguarding enough domestic supply of petroleum products to maintain Canada's central industrial region, the federal government restricted oil and gas exports. In 1973, the federal government froze the domestic price of oil and imposed an export tax on oil to be exported to the US. (Elton, 1988). According to Marc Lalonde, a Federal Minister for the Liberals between 1972 and 1984, without the export tax, U.S. demand for oil 'could have siphoned off much of Canada's supply at fire-sale prices' thus threatening domestic supply (Lalonde, 1990: 54). However, and not surprisingly, the premier of Alberta, Peter Lougheed, responded defensively. In a speech to the Canadian Club of Calgary (Wood, 1985: 147), shortly after the federal government placed a ceiling on oil and gas prices, Lougheed drew attention to the fact that the federal government chose not to place an export tax on resources from other provinces such as 'pulp and paper, asbestos, and gold from Ontario and Quebec'. Lougheed further remarked:

This appears to be the most discriminatory action taken by a federal government against a particular province in the entire history of Confederation. The natural resources of the provinces are owned by the provinces...we are going to be forced to take certain actions....we have to try to protect the Alberta public interest- not from Canada as a whole but from central and eastern Canadian domination of the West.
(Wood, 1985: 147)

Several federal-Alberta bilateral meetings took place between 1973 and 1976, and led to a compromise where Alberta withheld control over most of the revenues created as a result of increased prices of gas and oil, and the federal government retained control over inter-provincial and international trade. The federal government also secured

enough resources through oil and gas tax revenues to ensure affordable oil and gas prices, below the international market price, for central and eastern Canada (Elton, 1988). However, this compromise was short-lived. Oil prices would once again experience a significant rise in 1979, and tensions that were barely under the surface exploded into yet another federal-provincial standoff over growing energy revenues.

In response to mounting federal-provincial tension, Lougheed orchestrated a number of meetings with other western and Atlantic premiers to gain support for Alberta's position. In 1980, at the Annual Premiers' Conference, Lougheed was successful in securing the support from nine of the ten provinces who agreed that the federal government should refrain from interfering with Alberta's management of producing and selling natural resources (Elton, 1988). Notably, Ontario would not agree to this position.

In exchange for retaining a substantial profit from the non-renewable natural resource industry, Alberta stated it was willing to provide all provinces with oil and gas well below international prices. Yet, Alberta's offer differed from the position put forward by Ontario as outlined in a report entitled, 'Oil Pricing and Security: A Policy Framework for all Canadians' (Ontario, 1979). Ontario held that oil and gas consuming provinces along with producing provinces should have the responsibility to set the price of oil. Moreover, Ontario held that all royalties and taxes accruing from the industry should be funnelled through a federal mechanism, and be redistributed to all provinces. Elton (1988) makes the interesting observation that the Ontario report neglects to support provincial revenue sharing from natural resources such as electricity to which Ontario's economy was dependent upon. These opposing positions of Alberta and Ontario illustrate the inter-provincial dynamic of competition for power between provinces.

Even after years of negotiation, federal-Alberta consensus pertaining to pricing and revenue sharing was not achieved. Central to this problem according to Lalonde (1990: 55), was a 'systemic flaw in the structure of revenue sharing in Canada' in that there was no system already in place to equitably redistribute oil revenues. Much to the indignation of Alberta, in October 1980, the federal government announced its plans to implement the National Energy Programme (NEP). The NEP made several changes to federal energy policies. The policy established new federal taxes and reserved a greater share of revenues for the federal government. Also, the price of oil for domestic consumption was maintained below international levels. In addition, the policy encouraged more exploration and development of oil and gas resources. And, finally, the NEP promoted Canadian ownership of the energy industry (Dyck, 2000).

The federal government's main aim was to institute a policy of national self-sufficiency to insulate Canada's energy sector from the volatile international market, and to secure greater control over oil and gas reserves (Duquette, 1995). Yet, this attempt to protect the economy of Canada as a whole had a high political cost, exacerbating the divisiveness in Canadian centre-periphery relations. Moreover, according to Duquette (1995: 397), the NEP exemplified the actions of 'political elite leaders from Ontario and Quebec' who perceived little merit in 'the recriminations of the peripheral provinces about this encroachment on provincial jurisdiction in resource development'.

In response to the NEP announcement, Lougheed declared that the province would, in a series of reductions, slow down the production of oil by increments of 60 000 barrels per day. The Alberta government scheduled these reductions in production for April 1, 1981, just five months after the federal announcement of the NEP, and further reductions were scheduled for June 1 and September 1 in the same year. This action

taken by Alberta forced refineries in central Canada to purchase oil on the international market, thus obliging the federal government to increase its subsidies to these industries (Elton, 1988).

The federal and Alberta governments initiated a series of meetings beginning shortly after the first scheduled slow-down in oil production. A five-year federal-Alberta agreement over oil pricing was finally reached just before the third scheduled reduction was to be implemented. Later in 1985, the NEP was eventually dissolved with the signing of the Western Accord. Federal regulations concerning pricing were replaced with international market standards. With the deregulation of prices and significant changes in natural resource taxation, the federal share of oil and gas revenues fell to 4.6 per cent in 1986, a substantial decline from its revenue share in 1982 that amounted to 26 per cent (Senate of Canada, 1985). And, with the shift to a Conservative federal government and the signing of the Canada-U.S. free trade agreement in 1989, according to Lalonde (1990: 74), Canada abdicated its 'sovereignty in the energy field'.

The NEP debate centred on disputed jurisdiction over natural resources and the federal government's power to regulate inter-provincial and international trade. However, Elton (1988) argues that while the formal debate concentrated on jurisdictional and constitutional issues, the real debate was about which government would control the energy industry, and thus profit the most from billions of dollars in oil and gas revenues. Moreover, the disaffection of the Alberta government for what is perceived as federal intrusion into provincial affairs was not eradicated with the Western Accord. The federal government's push to implement greater resource sharing and Alberta's intense resistance to this intrusion are testimony to the significant gulf between the two governments' priorities, attitudes and motivations.

The federal government might defend its actions by drawing on the perception of federalism as a means to redistribute wealth from richer to poorer provinces. And, the province might assert that federalism's most imperative characteristic is the division of powers and responsibilities between the two levels of government, to which neither government can usurp from the other, nor amend unilaterally. Clearly, when it comes to energy policy, the federal and Alberta governments' perceptions of Confederation differ markedly. It is argued that this centre-periphery tension illustrates the competitive dynamic among governments, and is exemplified in the federal-Alberta LMDA negotiations.

The culture and development of Albertan politics

Pivotal to an understanding of western alienation is the protective and proactive stances it induces in Alberta politics, to maintain and extend the province's political scope. Moreover, Alberta's perceived isolation from the political centre of the country, has led to efforts to increase its impact and representation at the centre (Jackson and Jackson, 2001). For example, Alberta has attempted to shape national politics through intergovernmental means, and through its efforts to reform Canada's senate to attain greater provincial powers. Alberta's efforts to assert its interests by affecting pan-Canadian governmental institutions are pertinent to the political interest argument.

Alberta's actions to assert its position through a strategy of intergovernmental politics is understandable, given the earlier discussion about the unfavourably biased proportion of parliamentary seats held in the west compared to the considerably larger proportion of seats held by provinces in central Canada. To align with several other

provinces to advocate for provincial rights is viewed as a possible route to defend its interests through exerting pressure for change at the federal/national level.

As noted earlier, since the early 1970s, Alberta has enjoyed financial success largely as a result of international occurrences in the energy industry. Supported by its amassing wealth and associated political visibility, Conservative provincial premiers have made concerted efforts to influence national politics for over three decades (Gibbins, 1998). Asserting itself in intergovernmental endeavours has been a well-used and useful strategy for Alberta in its quest to make a decisive impact on powers centralised in Ottawa. As noted by Gibbins (1998), compared to other provinces, Alberta has:

carried disproportionate weight within intergovernmental councils, and has played an active role in shaping the norms and practices of intergovernmentalism...for Alberta, the practice of intergovernmental relations...is a philosophy of government and a strategic response to the province's perceived (and demonstrated) weakness within parliamentary institutions.
(Gibbins, 1998: 247-248)

With respect to increasing provincial input at the national level and thus placing constraints on the federal government, Alberta Premier Peter Lougheed put forward a proposal in 1982 to reform the senate and to replace it with a House of the Provinces (Gibbins, 1998). Furthermore, in the early 1990s, Premier Don Getty argued for senate reform as envisioned under the Triple E Senate (elected from each province, equal representation from each province and effective provincial powers) that would again assert a greater provincial presence at the national level.

Arguments put forward by Alberta, pointed to the domination of the principle of majority, and the failure of parliament to counter the central Canadian precedence over

western and eastern Canada. Also, it was argued that many issues which directly affect the west, such as transportation and international trade, can only be dealt with at the federal level (because the constitution allocates these matters to the federal government) and therefore, western Canadians require meaningful representation at the national level of government. Although both attempts at senate reform failed, they nonetheless represent Alberta's concerted political efforts to affect change at the national level, and to constrain what has been perceived as federal interference into provincial jurisdiction.

The federal government decision to initiate the National Energy Programme (NEP) in 1980 was from Alberta's perspective, a unilateral federal decision that resulted in a direct attack on its wealth (Gibbins, 1998). Not unlike the resentment that resulted from the federal government's unequal treatment of prairie provinces with respect to jurisdiction over property and natural resources in the early twentieth century, the NEP was perceived by westerners as an attempt to abscond with its resources to benefit industry in central Canada (Martin, 2001; Jackson and Jackson, 2001). Federal unilateralism was seen as the root of this threat. As noted earlier, to exert pressure on the federal government in order to counter unilateralism, the province formed alliances with other western provinces and Quebec.

In 1972, Alberta established the department of Federal and Intergovernmental Affairs, and this institution served as the means to build alliances among provinces. These efforts were productive for Alberta as demonstrated by the province's success in achieving particular objectives during the intergovernmental negotiations that led to the Constitutional Act (1982). In fact, Alberta played a major role in devising the revised amending formula that was entrenched in the 1982 Constitution Act (Gibbins, 1998). The revised amending formula recognises the equality of all the provinces by requiring the

sanction of a minimum of seven provinces that must constitute no less than fifty per cent of the population. Thus, any one province is denied an absolute veto.

The 1982 Act also instituted increased protection for provincial control over natural resources such as oil and gas, where the only remaining stipulation is that provincial practices pertaining to taxation and regulation must be applied uniformly across the nation (Elton, 1988; Gibbins, 1998). Overall, despite the difficulties it has encountered since 1905 when it joined Confederation, it appears that Alberta has exercised considerable influence in intergovernmental relations in Canada.

The Alberta government's efforts discussed thus far have been focused primarily upon increasing provincial power at the centre. As will be discussed, in the 1990s, the province turns its attention to the merits of decentralisation and devolution. For Alberta, devolution is perceived a strategy to gain greater powers. However, devolution is not always viewed as an unequivocal advantage. In sharp contrast to Alberta, Nova Scotia's views on devolution are more complex and have much to do with the fact that divergent regional experiences lead to relative advantageous positions in the Canadian federation. This comparison will be taken up later in the thesis.

Gibbins (1998) notes a shift in Alberta government policy with the most recent, and current administration under the tutelage of Premier Ralph Klein. Where the past two premiers, Peter Lougheed and Don Getty, were concerned chiefly with strengthening Alberta's voice in shaping the national policy of the federal government, Ralph Klein, not unlike his Quebec counterparts, has opted to strive for devolution of federal powers to provincial jurisdictions. While the provincial government could claim some success in asserting Alberta's interests at the national level by way of the 1982 Constitution Act, the

province was faced yet again with more federal unilateral actions as demonstrated in the significant cut backs in fiscal transfers to the provinces. As noted earlier, the merging of the Established Programmes Financing and the Canadian Assistance Plan into the Canada Health and Social Transfer, and the accompanying fiscal retrenchment was met with extreme disapproval and frustration by all provinces including Alberta.

For almost a decade, the government of Alberta under Klein has consistently called on the federal government to clarify respective federal and provincial roles, especially in the areas of provincial jurisdiction (Gibbins, 1998). The province has asserted its insistence on reaching such clarity of understanding largely by putting forward arguments that claim that inefficiency results from the overlap and duplication of federal and provincial policies and programmes. Just one year after being elected into office, Klein played a leadership role at the Annual Premiers' Conference in 1994, when he and the other premiers called on the federal government to support the provinces in assuming greater responsibility in reforming social policy and related programmes that fall under provincial jurisdiction.

As mentioned earlier, cuts to fiscal transfers placed extreme pressures on provincial governments who remained responsible for social policy and programmes yet had to meet these obligations with dwindling fiscal resources. Faced with fewer fiscal resources provinces reasoned that the setting of standards for social policy could be best achieved through inter-provincial agreements in contrast to adhering to federally imposed standards.

As a result of its experience in the Canadian federation, Alberta is sensitive to what it perceives as federal breaches in respecting provincial jurisdiction. Gibbins (1998)

succinctly summarises the themes asserted and encouraged by Alberta in inter-provincial forums:

Although both orders of government may remain active in some fields, there should be less duplication; the constitutional division of powers should be respected; the governments with the jurisdictional authority should have the financial resources to do the job; and unilateral action, particularly by the federal government, must be avoided at all costs. (Gibbins, 1998: 258)

Alberta's insistence upon respecting constitutional boundaries and differentiating between provincial and federal responsibilities highlights the province's desire for autonomy to maintain its jurisdictional stability. However, it is doubtful that constitutional division of powers is ever straightforward and unquestionable. When one government perceives a particular sector as its jurisdiction alone, yet the other government disagrees, as in the case with energy policy, then which point of view takes precedence?

The federal government believed it had a mandate to oversee the national energy sector because of its impact on the nation. And, the federal government thought that it had the right to share in the revenues, and a responsibility to redistribute, and thus provide a similar advantage for all provinces. The harmonisation of federal constitutional responsibilities to control inter-provincial and international trade and commerce with provincial jurisdiction over development of natural resources was indeed difficult to achieve. In fact, in the case of energy policy such reconciliation proved to be extremely elusive. It will be interesting to examine the extent of harmonisation between federal and provincial positions on labour market jurisdiction as perceived by senior civil servants who negotiated the LMDA. The next section will compare and contrast federal and

provincial points of view in the case of labour market devolution in the province of Alberta.

Negotiating the federal-Alberta labour market development agreement: Political and public interest influences

This section of the chapter will examine federal and provincial positions taken and decisions made about the Alberta-Canada LMDA in order to explore the thesis that governments are influenced more by political interests than public interests. This section will discuss the major issues that arose from the interviews, including federal and provincial perceptions on (a) jurisdiction (b) the option of co-management (c) effectiveness and efficiency of policy, and (d) provincial capacity.

Alberta and federal labour market programmes

Responsibility for the labour market, and in particular labour market training was not assigned to either level of government in the 1867 constitution. However, Quebec and wealthy provinces including Alberta, have maintained that training is a provincial matter largely because education is a provincial responsibility. The federal government rationalises its jurisdiction over the labour market by pointing to its authority to ensure the proper functioning of the economy, and its general power to spend money in any area that influences Canadians (Haddow, 1995). As mentioned earlier, Alberta has played a key role in advocating for the clarification of federal-provincial responsibility, while insisting that overlap and duplication of federal and provincial policies results in inefficiencies. Labour market training is an area in which the province has sought such clarification. Alberta made this point during the Charlottetown Accord negotiations, and

the province's position is also reflected in the report from the provincial Ministerial Council on Social Policy Reform and Renewal (Ministerial Council, 1995).

Alberta has paid for and operated provincial labour market training programmes since the 1970s. Therefore, given the existence of both federal and provincial labour market training schemes, the presence of problems related to overlap and duplication appears possible. However, as raised by federal respondents as discussed in Chapter 5, the extent of duplication and overlap is debatable, given that federal programmes are directed at employment insurance clients, and provincial programmes target social assistance clients. Furthermore, and as discussed in Chapter 3, instead of focusing on fiscal issues alone, problems associated with overlap and duplication might be best overcome by improved management and better working relationships between the two levels of government (Lindquist, 1999). In fact, prior to the labour market proposal, Alberta and the federal government entered into co-operative arrangements, and had established co-located sites where both federal and provincial programmes shared the same physical space, but the programmes remained separate. The perceived success of these Canada-Alberta Service Centres influenced Alberta's position on the kind of devolution model it preferred and will be discussed further.

It is expected that interviews with federal and provincial civil servants who are knowledgeable about and directly involved in the labour market negotiations will lead to a greater understanding about the respective governmental positions and influences pertaining to devolution. In regard to labour market devolution in the case of Alberta, governmental positions will be evaluated to determine the significance of political interest and public interest influences.

Provincial and federal respondents had differing views about the jurisdictional significance of the labour market proposal and the parameters of the negotiations. A resistance towards federal intervention in this policy area was expressed by all of the provincial respondents. Furthermore, all of the Alberta respondents took the position that both before and after the signing of the Labour Market Develop Agreement (LMDA), the authority over labour market training has fallen under the provincial realm. The provincial perspective was that by making the proposal, the federal government was acknowledging that labour market policy was indeed a provincial responsibility. One provincial respondent states:

In Alberta we didn't see it as the devolution of powers really because in effect we had constitutional responsibility for education. The federal government was simply recognising that and then transferring the resources for that responsibility.
(AB-PR-C)

Federal respondents offered a different perception. According to one federal respondent, the federal point of view concerning the proposal to the provinces was:

We have this money but we will give it to you because we decided we are going to get out of this jurisdiction, however, we have certain conditions and we want to have some control.
(AB-FD-H)

The province understood this federal position as all of the provincial respondents recognised that the federal proposal, while creating an opportunity for greater provincial control over this area, does not give the province exclusive authority and control over labour market development. With reference to the federal proposal to devolve authority

and control to the provinces, one provincial respondent comments, “it was clear though that the federal government was only really stepping out of part of that activity” (AB-PR-C).

Under devolved LMDAs, provinces have the authority to allocate fiscal resources and to design and deliver programmes, yet this provincial control is subject to certain principles and objectives set out in the agreement. As discussed earlier, provinces are accountable to the federal government for outcomes as defined in the accountability framework. The accountability framework was seen as limiting from the provincial perspective. For instance, half of the Alberta federal respondents and three-quarters of the Alberta provincial respondents noted that the prioritising of EI clients was a contentious issue for Alberta, as the province wanted the flexibility to offer EI services to social assistance clients as well.

All of the federal respondents noted the importance of the accountability framework to ensure that provincial policy and programmes were similar and consistent with federal policy and programmes. It was clear that while the federal government was transferring money and authority to design and deliver policy and programmes, it wanted to know how that money and authority was going to be utilised. The fact that a main objective from the federal standpoint was to maintain the federal status quo provokes a question about what was actually being proposed for devolution. In fact, one federal respondent disagreed with using the term devolution to describe the federal proposal and the LMDAs. The respondent states:

Often the term devolution is used. I think that’s a very inappropriate term but all kinds of people use it, including the most senior officials. This is not a devolution. In my definition of devolution you’re basically selling

the store and moving out of town and what the heck you do with the store is your business. Here, all we are doing is delegating the responsibility and it's conditional! So we are leasing the store so to speak and we still have an interest.
(AB-FD-E)

Yet, not all of the federal respondents interpreted the accountability framework as so uncompromising. In fact, one federal respondent noted that National Headquarters (NHQ) in Ottawa encouraged the federal officials who were negotiating the agreement to not take a hard line approach and to be responsive to provincial issues. When asked about NHQ's bottom lines and directives to negotiating officials, one federal respondent noted that NHQ wanted them to "get the deal done". This federal respondent also remarks:

If it came to falling on one side of the argument or the other, it was to be provincial friendly...so similarity and consistency; are you tough on that or are you not tough on that? The whole notion was if there is going to be any benefit from devolution to make it more suitable for Albertans, then- if our negotiating position was simply to make sure that provinces design programmes and deliver them exactly the way we did, then what was the point? The point was to give them some flexibility with the accountability framework.
(AB-FD-F)

While there was some variability among federal respondents about how stringent the federal position should be, all federal respondents recognised that the accountability framework had to be adhered to and that, in fact, it was the federal government who was initiating this proposal and the conditions of agreement. This implies a continued federal presence and influence attached to the authority devolved to provinces. Indeed all of the respondents observed a dynamic of discord and tension between federal and provincial perspectives on jurisdiction. For example, one federal respondent states:

The province was basically saying give us the money and get out of our face. We'll manage it responsibly. We're responsible for our own programme design, our own policy, and we don't need that kind of intrusion or paternalism. So in the negotiations, that became a difficult issue... The sticking points were not so much on the operational or the service delivery side; they were more on matters of principle related to what kind of an agreement are we striking here.

(AB-FD-E)

Federal-provincial disagreement on jurisdiction was illustrated by the frustration expressed by all of the provincial respondents about the federal conditions attached to the proposal. For instance, the level of detail requested by the federal government was perceived as too overblown. One provincial respondent noted that the federal government wanted to know too much, and the province replied by saying:

Don't tell us that we have to tell you how we're going to do it and that you're going to examine what we do...and what are the programmes and services? and what are the outcome measures?...the feds wanted to know every step that you were going to take along the way and we said no, we're responsible for outcomes, we will demonstrate outcomes. We will agree to outcomes but don't ask us how we're going to do it!

(AB-PR-A)

The federal priority for the provincial programmes to be comparable to the programmes offered by the federal government was a contentious point as the issue of similarity and consistency caused a great deal of strain in the Alberta negotiations.

Regarding the test of similarity one federal respondent remarks:

The province would question...why in the world do we have to design a programme that is similar to your programme? What counts are the outcomes, the bottom line. And we actually ground to a halt at one point and had to have the deputies intervene to get us moving again and it was only because there was such intense pressure politically that finally the thing got unstuck and moved along again...The province felt fundamentally this was a government to government transfer of broad principles, broad sets of conditions, broad accountabilities, don't get down here telling us how to mow our grass.

(AB-FD-E)

All of the federal respondents addressed how the province was steadfast in its perception that labour market training was rightfully under provincial jurisdiction. To this end, federal respondents noted that Alberta did not want to be seen as subservient and they resisted federal conditions pertaining to the agreement. However, as outlined above, the proposal had several conditions attached to it, illustrating that the federal government still saw a prominent role for itself in provincial labour market training.

This fundamental difference in perspective between the two levels of government concerning jurisdiction surfaced throughout the negotiations. For example, the federal government is deemed as a defender of bilingualism in Canada, and thus, it was a very important issue discussed in the labour market negotiations. In accordance with the Official Languages Act (1969), which declares all federal institutions must be bilingual, a priority for the federal government was to ensure all services be accessible in both English and French. In lobbying efforts to the federal government, minority language groups expressed their concern that devolution to provinces would not guarantee the delivery of labour market programmes in both French and English as stipulated in the Official Languages Act (Wells, 1996).

In the Alberta Labour Market Agreement (LMDA) the province agrees to offer services and programmes in the French language when demand is warranted only. Half of the provincial respondents identified the French language issue as a federal priority. One respondent noted that although the province was providing this service to some extent prior to the negotiations, the LMDA requires a broader application of this service.

Three-quarters of federal respondents noted that although the federal and provincial stances differed to some degree, the province was willing to make some changes. One federal respondent asserts:

The province was quite accommodating overall and really they only staked out ground in a few significant areas that had to do with more so the constitutional sensitivities and the principle of accountability...On things like official languages, where some people were concerned that “redneck Alberta- none of that damn French”, but the province was not like that at all.
(AB-FD-E)

In the end, Alberta agreed to be guided by the Official Languages Act. One federal respondent notes that the province did not want to be legally obligated by the Act, and to be ‘guided’ was viewed as a compromise. The federal respondent comments:

The province had made the decision to be co-operative and actually use the Official Languages Act. The wording was important because it didn’t say the province is legally obligated, it said the province would be guided. So some of these things had to be looked at on a good will basis because the province wouldn’t have signed it if it had said the province is legally obligated under the Official Languages Act; that would have been viewed as too strong of a condition.
(AB-FD-H)

The process of negotiating decisions about authority as discussed thus far, exemplifies efforts to reach a compromise over how power and control over labour market training was to be divided between the federal and provincial governments. Divergent perspectives on jurisdiction among federal and provincial respondents illustrate how both levels of government sought as much political control as possible.

Alberta and federal positions on the option of co-management: The issue of federal visibility

As referred to earlier, provinces could opt for either full devolution or for co-management. With full transfer, provincial governments have the authority to make independent decisions, pertaining to design and delivery of the devolved federal programmes and corresponding budget. In contrast, where co-management models are chosen, programmes are still implemented by the federal infrastructure, but federal and provincial representatives make decisions jointly about the design and delivery of labour market programmes. All of the provincial respondents insisted that the co-management model was not an option the province would choose freely. Again, the province asserted its view that labour market policy falls under provincial jurisdiction to begin with, and any discussion concerning co-management as a potential option seemed to belittle that fact.

Officially, the kind of model adopted was a provincial choice. Notwithstanding this fact, according to three-quarters of the provincial respondents, the federal government asserted its preference for a co-management agreement over a full devolution arrangement. The provincial respondents reasoned that their federal counterparts favoured co-management primarily because they wanted to maintain their public profile and visibility.

All of the Alberta provincial respondents perceived that visibility was important to their federal colleagues, and they acknowledged that, in general, devolution would lessen the reach and profile of the federal government. For example, one provincial respondent remarks, “we talked about whether there should be both federal and provincial logos on

the cheques”, noting that it was a federal preference for the Canadian flag to be a prominently visible (AB-PR-B). The respondent commented that the federal government was caught in a difficult situation, as they had to find a way to propose and negotiate a devolution agreement, while simultaneously trying to demonstrate their continued relevance to citizens in this policy sector.

Another provincial respondent held that the federal politicians or Members of Parliament (MPs) were unsupportive of full devolution “because they wouldn’t have the direct ties and influence” over labour market training “back in their constituencies” (AB-PR-D). While another provincial respondent observed that the federal government was perceived as not willing to concede their visibility, “even though ironically” they were proposing “to give away all of their infrastructure for delivery in those programmes” (AB-PR-C).

Federal respondents also articulated the theme of federal visibility. Three-quarters of the federal respondents expressed concern over reduced federal visibility and the diminished “measures of influence” which would result from the devolution of federal labour market policies to provincial jurisdictions (AB-FD-E). As noted by one federal respondent, in provinces where a co-management agreement was signed there is “greater capability to influence the nature of the expenditure and therefore better reflect the interests of the federal politicians” (AB-FD-G).

It should be mentioned that the issue of devolved LMDAs and federal visibility as it affects the power and influence of federal politicians, is less significant in Alberta as very few Liberal MPs represent constituencies in western Canada. And therefore, the issue of federal visibility is perhaps more salient in central and eastern Canada, where the

numbers of Liberal MPs are much higher than they are in the west. Yet, it could be argued that given the paltry representation of Liberal MPs in Alberta, the federal government could perceive devolution as a loss of opportunity to promote its profile and therefore its relevance in the lives of Albertans. That the federal government was concerned over a loss of visibility and a diminishing relevancy to the electorate, supports the notion that political interests were salient to the federal position during the LMDA negotiations with Alberta.

Type of model and perceptions on effectiveness and efficiency

From the provincial perspective, the full devolution model was preferred based on the belief that devolution promoted more effective and efficient policies than the co-management model. All of the provincial respondents asserted the superiority of provincial authority. This argument was based on the perception that the provincial government is closer to the Alberta citizen and the community at large, and therefore, more knowledgeable about local labour market needs than the federal government. Consequently, the provincial government is in a better position than the federal government to respond to issues and challenges unique to the Alberta labour market. As one provincial respondent explains:

We always felt that this was a provincial responsibility and it shouldn't be the federal government directing these sorts of things for people in Alberta out of Ottawa. This is something that is better done locally. Why would Ottawa be in the best position to tell our oil industry what kind of skills our workers would need? Our needs would be so different from other provinces...These are local decisions in a local labour market.
(AB-PR-A)

As noted earlier, Alberta had long argued that the presence of federal training programmes created overlap and duplication because the province offered similar programmes. Consequently, in the early 1990s, prior to the federal proposal for devolving labour market policy, the Alberta and federal governments initiated co-operative arrangements by establishing federal-provincial co-located sites. The purpose of these Canada-Alberta service centres, which were established in Calgary and Edmonton and Lethbridge, was to provide a convenient and co-ordinated service to all Albertans seeking employment programmes. Federal and Alberta employees exchanged information and discussed strategies in attempt to improve the accessibility and co-ordination between federal and provincial employment programmes. The Canada-Alberta Service Centres were intended to ensure that clients were provided with the most appropriate programme regardless of whether it was delivered by the federal or provincial government.

From the provincial perspective, co-location went a long way in overcoming the problems associated with overlap and duplication however, there were several challenges to these arrangements. Three-quarters of the provincial respondents commented on the difficulties and limitations associated with co-location. Problems with co-location ranged from difficulties with incompatible computer systems and different levels of pay (federal employees received higher wages) to problems related to the access and privacy of information. Mainly because of these problems related to territoriality and organisational incongruity, it was suggested that the experience had taught them about the importance of designating responsibility and control over policy to one level of government only.

Experience with co-location led the province to conclude that extending these co-locations was not going to meet Alberta's objectives to improve the effectiveness and

efficiency of labour market policy. Alberta wanted the added authority that would allow them to make decisions independent from the federal government. One provincial respondent comments, “Our view was that we had taken all those co-locations as far as we could take them and that we needed something more significant to take us further down the road” (AB-PR-D).

Policy coherence

Greater provincial authority over labour market policy was lauded by the province as a means to promote policy coherence. All of the provincial respondents noted that labour market policy is strongly connected to other provincial policy files such as social services and economic development. Therefore, the province wanted to integrate labour market policy in order to develop a coherent approach to policy development across different provincial departments. One provincial respondent explains:

Why have two of these infrastructures here if in fact we have one that is operating very well, that can adapt to the local conditions, that's linked to both the social services system and the education system as well as the economic development activity in the province...The province saw an opportunity to shape the expenditures of those federal dollars that were directed to the province for the purpose of employment training. That meant you could integrate policies and programmes, based on need. It could be very responsive not only to the regional or local conditions but also to the needs of the individuals.
(AB-PR-C)

Three-quarters of the provincial respondents discussed the merits of integrating programmes and tailoring services to citizens based on need instead of determining the type of service by how citizens were funded. In other words, the provincial view was that, an individual's eligibility to income benefit programmes (such as social assistance or employment insurance) should not determine the employment training plan; but rather,

the individual's training needs should guide the development of the plan. According to these provincial respondents, integration is best performed at the provincial level.

In relation to provincial support for policy coherence, three-quarters of the provincial respondents addressed the notion of integrating the social assistance and the employment insurance income policies and programmes. The suggestion was made that during the Canada-Alberta labour market negotiations discussions took place about the possibility of devolving EI Part I (the income programme) - a major policy area not included in the official federal proposal. In fact, in the May 30, 1996 proposal, the federal government made clear its intention to retain Part I responsibility. Yet, it is interesting to note the difference in perspectives between Alberta provincial and Alberta federal respondents about whether or not Part I was officially negotiated.

Provincial respondents noted that Alberta requested that Part I be included in the devolution proposal. According to three-quarters of the provincial respondents, Part I was considered to be on the table early in the negotiations, but removed by the federal government soon afterwards. This provincial perception differs from three-quarters of federal respondents who held that although the province was interested in Part I, and discussions related to Part I took place, it was however, never officially a negotiable matter. In addition, half of the provincial respondents noted that failing to secure Part I was not considered to be a major loss, as one respondent remarks:

We asked for Part I at first. But after awhile we started talking about how really that wasn't our prime focus...we decided it wouldn't be one of the hills we would die on.
(AB-PR-C)

Furthermore, politicians who were wary of the lobbying issues surrounding the tightening of EI eligibility (as addressed earlier) were not very keen to acquire Part I responsibilities. One respondent noted that local Members of the Legislative Assembly (provincial elected officials) receive so many calls of complaint concerning individual eligibility for employment insurance, they are relieved to be able to say: “sorry, this is a federal issue” (AB-PR-D).

The provincial position on policy effectiveness and efficiency, as well as the preference for policy coherence across provincial departments indicates that public interests influenced provincial decisions on devolution. That all of the provincial respondents supported devolution, in part, because of the perception that public interests would be served through provincial authority and responsibility, reflects the trend in Alberta provincial politics in the 1990s to promote decentralisation, as discussed earlier.

The importance of capacity

When addressing the readiness of the province to take on full authority for labour market training, all of the provincial respondents pointed out that Alberta had the capacity to assume these responsibilities. As mentioned earlier, Alberta has been delivering employment training programmes since the 1970s when it began to offer these services to social assistance recipients. All of the provincial respondents pointed to the fact that Alberta has had considerable experience in designing and delivering labour market training programmes. According to one provincial respondent, Alberta had a “very well-regarded and well-functioning infrastructure on the ground” and had gained the experience necessary to develop employment policy (AB-PR-C).

Perhaps most significant is that since the 1970s, Alberta has had the fiscal capacity to sustain these undertakings. Supported largely by the province's fiscal capacity, Alberta had a well-developed physical and policy infrastructure in place prior to the federal proposal. Consequently, the province thought it was quite capable of assuming the added responsibilities that would accompany the devolution of federal labour market programmes. In addition, all of the provincial respondents commented that the province was very self confident in its ability to take on these additional responsibilities. Respondents suggested that through its fiscal advantages, the province has had the opportunity to develop labour market expertise and infrastructure, and thus, its competence in this area.

With regards to Alberta's capacity, three-quarters of the federal respondents acknowledged that the province's physical and policy infrastructure complemented its ability to assume greater labour market authority. Federal respondents perceived Alberta as portraying a self-sufficient attitude towards assuming greater authority in this policy sector. For example, one federal respondent noted that in contrast with other provinces with less overall infrastructure and experience, in the case of Alberta, "you know that you're turning it over to a mature environment where they've got some policy capability". In addition the respondent states:

Alberta is probably one of the most mature provinces in the country when it comes to attempting to put together a cohesive labour market policy, active measures, income supports – the range of what would constitute employment service for Albertans/Canadians.
(AB-FD-G)

In sum, this section of the chapter has reviewed the major issues that influenced federal and provincial positions on the federal proposal for devolution and the negotiations leading to the Alberta-Canada LMDA.

Conclusion

This chapter has focused on Alberta's experience of Canadian federalism and has provided relevant historical and contemporary political background to analyse the case study of federal labour market devolution to provinces. As addressed herein, the political culture of Alberta and indeed the political culture of the western region of Canada are influenced by a perception of exclusion from national decisions made in Ottawa.

As seen through the example of energy policy, this sense of alienation is fundamental to Alberta's political identification and overshadows its relationship with the federal government. As reviewed in this chapter, Alberta is disquieted by federal interference especially when it involves a policy area where jurisdiction is not agreed upon by federal and provincial governments. Such is the case with the respective policy sectors of natural resources and labour market development. Alberta has long argued its jurisdictional authority in both cases. Moreover, Alberta has perceived federal activity in these areas as an extreme violation in the case of energy policy, and as an unwelcome meddling in provincial affairs, in the case of federal activity in labour market development.

Federal perceptions are also consistent across both policy sectors where it has argued in the name of its authority in the national realm to make decisions in areas that affect all Canadians. In both cases, the federal government has stood its ground in claiming jurisdictional authority. Moreover, both governments rely, at least in part, on their own interpretations of the constitution that tend to favour each respective government's greater claim to jurisdictional authority.

An examination of the federal-Alberta labour market development negotiations has shown that governmental positions are influenced by both political and policy interests. For example, for the federal government the co-management option was perceived as an opportunity to retain some of its authority and hence, desired visibility and a greater measure of political influence. In contrast, the province regarded the option of co-management as unacceptable, as such a choice would not offer it the extent of political autonomy it desired in what it perceived as an area of provincial jurisdiction. Competition between federal and provincial interests is evident as both levels of government assert positions that serve to lessen the political reach of each other.

Yet, the province also put forth public interest arguments that served to strengthen their case that labour market development is chiefly a provincial concern. The province argued that given greater authority and responsibility, it could enhance policy effectiveness through its superior understanding of the local labour market, and it could improve efficiency by eliminating federal-provincial overlap and duplication. Further, from the provincial view, policy could be improved through achieving policy coherence with other provincial sectors such as social assistance.

It is not possible to claim beyond doubt that political interests are more influential than public interests. Yet, it is suggested that public interests are asserted in defence of the provincial position on jurisdiction. It is likely that overlap between political and public interest influences exist. This issue will be addressed further later in the thesis. However, it is argued that political interest influences are stronger than public interest influences. This argument is based mainly on the strong provincial resistance to federal involvement, for instance, concerning the federal control related to the accountability framework, and the firm provincial stand that labour market training was a provincial

responsibility prior to the proposal. The province was very clear in its insistence that it had the mandate to carry out labour market training as an extension of its jurisdiction over education. Further, it is argued that political interests dominate because of the strength of the historical provincial opposition to federal intrusion that culminated into the Conservative Party's strong stance against federal activity in this area, and the greater attention paid to devolution in the 1990s by this provincial administration.

In chapter 8, the thesis will compare and contrast the Alberta-Canada LMDA with the Nova Scotia- Canada LMDA and political interests and public interest influences will be further examined. The thesis will now turn to the province of Nova Scotia and its experience of Canadian federalism including its response to the federal proposal for labour market devolution.

Chapter 7

Influences of Nova Scotia's Position on the Devolution of Labour Market

Development Policy

Introduction

This chapter will examine Nova Scotia's response to the federal proposal for the devolution of labour market policy. In this chapter, Nova Scotia's perceptions and decisions about devolution will be examined from the perspectives of both 'political' and 'public' interest arguments.

Nova Scotia's experience of Canadian federalism influenced the kind of labour market agreement sought by the province. Thus, historical factors and political aspects of federal-provincial relations point to the prominence of political influences on provincial decisions. To understand Nova Scotia's unique experience of federalism, it is necessary to examine briefly the historical factors that have led to that province's comparatively disadvantaged position in the Canadian federation. This chapter will examine Nova Scotia's perception that its underdeveloped economic status is directly caused by discriminatory federal policies that simultaneously favour central Canada, and hinder economic development in Nova Scotia. This historical review will lead to a description of the province's political, fiscal and social environment in the early to mid- 1990s.

This background information will highlight the particular circumstances that confronted the province when the federal proposal for devolution was made in 1996. As will be seen, the context of dependency exemplifies the salience of political over public

interest factors, when assessing the influences of the provincial position on devolution. Primary data from interviews with Nova Scotia provincial and federal civil servants will be examined to test the hypothesis that political interest influences dominate over public interest considerations when contemplating the option of devolution.

Historical context of Atlantic Canada

Nova Scotia, along with the provinces of Newfoundland-Labrador, Prince Edward Island, and New Brunswick, make up the Atlantic region in Canada. When Canada became a federation in 1867, the Atlantic region had a thriving economy (White, et al., 1998).

Nova Scotia's prosperity was based on its fishery, forestry, agricultural and shipbuilding industries, and the region benefited significantly from its 'intermediary role in triangular trade with Britain and the West Indies' (Bickerton, 1999: 219).

Yet, from the very beginning of Confederation, tension existed between federal and provincial governments. In particular, federal and provincial governments disagreed on the implementation of policies related to tariffs and national transportation. For example, support for the tariff was very strong in central Canada, 'where its basic design was prefigured by the pre-Confederation policies of various colonial administrations' (Bickerton, 1999: 220). Between the 1880s and 1930s, a federal initiative known as the National Policy helped to cultivate a single national economy, and promote the development of industry in Canada. As noted by Bickerton (1999):

The National Policy combined tariffs, transportation, and western settlement in a national development strategy that privileged and protected those industries producing for the domestic market.
(Bickerton, 1999: 219-220)

Towards the end of the nineteenth century, the National Policy helped to firmly root the industrialised superiority of central Canada over Atlantic Canada. By 1890, Nova Scotia's industrial profits declined significantly in comparison with profits in Ontario and Quebec (Candow, 2001). Moreover, protecting and maintaining the National Policy was necessary to sustain the electorate's support, and resulting parliamentary seats in Ontario and Quebec (Beck, 1968).

To encourage the industrial advantage of the National Policy outside of central Canada, railway transportation costs were subsidised in Atlantic Canada. Also, Atlantic Canada was given the control over the Intercolonial Railway that linked the region with Montreal. These policies allowed Atlantic Canada to access growing markets in western and central Canada, and they fostered the region's industrial development in the late 1800s to early 1900s. However, these policies that benefited Atlantic Canada faced sharp criticism from both western and central Canada (Forbes, 1977).

Following World War I, Atlantic Canada's control over the Intercolonial Railway, along with the subsidies for railway transportation were brought to an end. In 1918, the headquarters of the Intercolonial Railway was moved to Toronto, Ontario, and in the following year, transportation costs were raised to match the rates in Ontario (Forbes, 1977). In 1920, a general rate increase was imposed on freight transportation costs that resulted in an increase of 111 per cent for Ontario and Quebec, and an increase of 140 to 216 per cent for Atlantic Canada (Forbes, 1977).

The loss of transportation subsidies resulted in the economic decline of the region's businesses and manufacturing industries (Burrill and McKay, 1987). For example, at one point in the 1920s, nearly half of all the jobs in the manufacturing sector

were lost, and in general, the availability of employment in Nova Scotia was comparatively smaller than such opportunities available to workers in western and central Canada (Acheson, 1972). The establishment of the Maritime Rights Movement demonstrated the sharp and angry response from Atlantic Canada. This movement attempted to bring attention to and redress, federal decisions that led to the economic decline in the region. The Maritime Rights Movement sought to increase awareness and a sense of regional alliance among Atlantic provinces in a quest to counterbalance the 'growing metropolitan dominance of central Canada' (Forbes, 1977: 378).

With the introduction of post-war welfare state development, the National Policy was abolished. Reduced economic and political ties to Britain, and the establishment of strong economic relations with the U.S. accompanied the elimination of the National Policy. The reconstruction of the economy and implementation of the post-war welfare state was facilitated by significant political centralisation of policies at the national level. Consensus for these post-war endeavours was strong in Canada, with the notable exceptions of Quebec and Atlantic Canada. According to Bickerton (1999: 224), from the perspective of Atlantic Canada 'centralised Keynesian policies' that were 'concerned with (and designed for) managing overall national levels of economic growth and employment, with little regard for regional distribution', resulted in stunted economic growth, lower levels of family income and higher unemployment rates for the region.

Towards the end of the Korean War in the early 1950s, Atlantic Canada's plight of structural inequality and ensuing economic hardships provoked calls from provincial governments for the federal government to respond. Preferring to adhere to post-war welfare state development through a 'highly centralist bias', the federal government

resisted the idea of regional development to redress disparities in regional economic growth across Canada (Bickerton, 2001: 51).

In brief, the early years of Canadian federation witnessed the significant decline of the Atlantic region's economy relative to other regions in the country. The federal strategy to centralise and strengthen the national economy, primarily by supporting development in central Canada, was viewed by the Atlantic provinces as unfair, because it privileged some regions over others.

The initiation and failure of regional development programmes

Regional development is affected by competition between federal and provincial interests. As suggested by Savioe (1986: 12), 'regional development has often been a pawn in the continuing struggle between "nation-building" and "province-building"'. As will be discussed, federal and provincial interests collide when considering the notion of regional development.

Despite its initial resistance in responding to demands from Atlantic Canada to address the region's problems, the federal government initiated the Department of Regional Economic Expansion (DREE) in 1969. The mandate of DREE, as first envisioned by the federal Liberal Party, was to tackle underdevelopment in Atlantic Canada and eastern Quebec. Yet, in response to the oil crisis in the 1970s, the federal government began to divert a substantial amount of DREE's discretionary funds to Montreal (Bickerton, 1999).

Additional regions were given access to regional development funds by the mid-1970s, which resulted in relatively fewer DREE dollars for Atlantic Canada (Savoie, 1986). For example, in 1970-71, Atlantic Canada received over 50 per cent of DREE funds, and by 1977-78 this amount decreased to 39 per cent (Savoie, 1986). Moreover, by 1980, Atlantic Canada received only 15 per cent of DREE's industrial incentive funds (Atlantic Provinces Economic Council, 1982). Hence, the original intent was changed from promoting regional development in Atlantic Canada and eastern Quebec, to responding to federal political imperatives induced by the oil crisis and pressures from Quebec. Bickerton (1999) notes:

This siphoning off of DREE funds to already highly industrialized regions convinced the department's first deputy minister, Tom Kent, that DREE's original mandate had been discarded and that regional development programming would henceforth respond to political imperatives, rather than rational planning objectives.
(Bickerton, 1999: 227)

Furthermore, commentators such as Alexander (1983) and (Savoie, 1988: 295), suggest that the federal government would not have been so keen to implement developmental policies if it had not been for the 'political and economic troubles of Quebec'. In fact, Prime Minister Pierre Elliott Trudeau (1969: 14) likened regional economic disparities in Atlantic Canada to the 'French-English confrontation', remarking that both problems could undermine national unity. Atlantic premiers charge that regional programmes reflect less than satisfactory attempts to make reparation to the region. These premiers are disquieted by the fact that distribution of regional development monies are not allotted according to need, as exemplified by the diverting of funds to well developed areas in Canada (Savoie, 1988).

With the combination of the equalisation programme, instituted in 1957, DREE in 1969, and the liberalisation of unemployment insurance in 1971, federal government spending in Nova Scotia supported the establishment of a contemporary provincial civil service, and provided needed economic infrastructure (Bickerton, 2001). However, even though federal fiscal transfers helped to ensure relative equity among regions concerning quality public services, economic problems persisted in Nova Scotia. According to Bickerton (1996: 19), as these measures ‘failed to transform the region’s private sector economy into a dynamic engine of economic growth’ disparities in regional development persisted.

The limited success of regional development is widely acknowledged (Savoie, 1986; MacDonald, 1998; Bickerton, 1999). The ineffectiveness of these programmes is, in part, caused by the fact that Nova Scotia has had to compete with other regional development programmes in more affluent regions such as southern Ontario. These wealthy locations are more sought after by investors than those with limited fiscal strength and stability (Savoie, 1986; MacDonald, 1998).

Regardless of why these programmes failed, the fact remains that support once deemed integral to the Atlantic Canadian economy has been severely reduced. In fact, federal subsidies to Nova Scotia businesses have been reduced to some of the lowest per capita levels in Canada (Nova Scotia, 1998). For example, federal regional subsidies and capital assistance to businesses in Atlantic Canada have dropped from 12.7 per cent of GDP in 1980 to 2.1 per cent in 1994 (Atlantic Provinces Economic Council, 1996). As will be discussed in the next section, Atlantic Canada has been critical of the federal government, given the failure of national programmes to foster and maintain economic growth in the region.

Atlantic Canada's perception of being exploited and alienated by central Canada is strong, and politicians from this region have long used this sentiment to consolidate electoral support and remain in power. Since the early 1970s, provincial governments in Atlantic Canada have consistently blamed their economic weakness and underdevelopment on federal policies and programmes (Savoie, 1988). Their charges have moved beyond historical complaints, such as the restructuring of the railway and National Policy, to more contemporary federal policies that impede development in the region. Not unlike the grievances coming from western Canada, Atlantic premiers assert that federal policies favour central Canada, primarily, because of the influence over national policies wielded by comparatively larger populations in Ontario and Quebec (Savoie, 1988).

In fact, drawing from 1996 data, the Atlantic provinces constitute the least populated region in the country (Jackson and Jackson, 2001). Compared to the prairie provinces and the province of Ontario, which make up 16.5 per cent and 37.6 per cent of the population respectively, the Atlantic provinces constitute only 8.1 per cent of the Canadian population. Furthermore, Alberta's population of 2 793.3, constitutes 9.3 per cent, and Nova Scotia's population of 943.2, makes up only 3.2 per cent of the overall population in the country (Jackson and Jackson, 2001).

According to Savoie (1986), Atlantic Canada faces a predicament: If federal policies are responsible for their underdeveloped status, the region might prefer greater decentralisation to make their own decisions that favour their economic interests. However, as a result of their economic disadvantages, they lack the capacity to design and

implement economic policies that benefit themselves independent of the federal government. In other words, federal decisions that tend to favour central Canada actually prevent Atlantic Canada from building its capacity, and acting on its own behalf and safeguarding its interests (Savoie, 1988).

Furthermore, it is questionable whether or not capacity alone is sufficient to guarantee provincial interests. For example, as seen in the case of Alberta, its comparatively wealthy position in Canada has not always protected that province's interests in energy and labour market policies. Nonetheless, Savoie's point has merit as it highlights the dilemma confronted by Nova Scotia in its reliance on the federal government to achieve goals as defined by the province.

This section of the chapter has focused on historical circumstances that have led to the comparatively disadvantaged conditions of Atlantic Canadian provinces. Historically, federal political imperatives to establish a vibrant national economy have privileged business in central Canada, and have resulted in significant political and economic disadvantages for Atlantic Canada (Brodie, 1990; Bickerton, 1990). This historical context helps to explain successive Atlantic provincial governments' experiences, interpretations, and perceptions. It is necessary to address historical circumstances, because these issues point to a long-standing dynamic of regional inequality that influences provincial government decisions.

Competition between nation-building and province-building is evidenced by the provincial perception that their economic and social hardships are strongly linked to structural inequality promoted by national decision-making in Ottawa. It has been argued that federal decisions that tend to favour central Canada effectively prevent Atlantic

Canada from acting autonomously and protecting its own interests. It will be important to keep this historical context in mind when the chapter examines the province's response to the federal proposal for devolution. Furthermore, related to historical circumstances concerning regional social and economic inequality is the concept of dependency. This chapter will explore the salience of dependency as a critical factor in determining the provincial position on labour market devolution.

Nova Scotia's economic environment: Early to mid- 1990s

Federal fiscal restraint

The Atlantic provinces have witnessed more severe decreases in federal fiscal resources than any other region in the country (Atlantic Provinces Economic Council, 1996; MacDonald, 1998). Noting the severity of cuts to the region, MacDonald (1998) observes that from 1980 to 1995, federal expenditures in Atlantic Canada have decreased from 38 per cent to 19 per cent of GDP (MacDonald, 1998). While federal expenditures grew relatively consistently from the 1960s to the 1980s, this trend was reversed in the early 1980s. By the mid- 1990s, federal expenditures in Atlantic Canada were similar to the levels witnessed in the mid- 1960s (Atlantic Provinces Economic Council, 1996; Nova Scotia, 1999a). In addition, from 1980 to 1994, federal expenditures in Nova Scotia have decreased by 6 per cent, while federal expenditures have increased in Alberta by 0.6 per cent (Atlantic Provinces Economic Council, 1996).

As a result of cut backs to federal transfers, which became more significant in the latter 1980s to mid- 1990s, all provinces have had to become more fiscally self sufficient. Yet, cuts to federal transfers have been particularly hard on Nova Scotia, because of the

high dependency on these funds to operate government agencies (Bickerton, 2001; MacDonald, 1998). Wealthy provinces, like Alberta, are more financially independent, and therefore more fiscally capable of assuming greater financial responsibility than poorer provinces, like Nova Scotia, where federal reductions in transfers result in substantial losses in total revenues. For instance, where Alberta's share of revenues from transfers decreased from 23.5 per cent in 1970-71 to 14.5 per cent in 1992-93, Nova Scotia's revenues from transfers decreased from 47.1 per cent in 1970-71 to 37.3 per cent in 1992-93 (Boadway and Flatters, 1994).

Moreover, a comparative examination of provincial expenditures also reveals the greater fiscal capacity of richer provinces. For example, in 1993, provincial and local government expenditures (measured on an equal per capita basis) in Alberta and Nova Scotia totalled \$19,390 and 6,723 million, respectively (Clark, 1998). These expenditures for the same year are even greater in central Canada. Provincial and local government expenditures in Ontario and Quebec (measured on an equal per capita basis) totalled \$78,059 and \$52,298 million, respectively (Clark, 1998).

Cut backs in the mid- 1980s to the mid- 1990s to Established Programmes Financing (EPF) and the Canadian Assistance Programme (CAP) have been noted in previous chapters. It is important to notice that decreases in federal fiscal transfers to poorer provinces, like Nova Scotia, are also caused by significant reductions in equalisation payments. The equalisation programme mirrors increases and decreases in provincial prosperity across the country. And, as most provinces suffered financial setbacks in the early 1990s, overall decreases in provincial economic growth led to lower equalisation payments to poorer provinces. For example, between 1990-91 and 1991-92,

total equalisation entitlements to Nova Scotia decreased from \$949 million to \$850 million (Hobson, 1998).

Low provincial revenues

Despite equalisation and other federal transfer programmes, per capita revenues for Atlantic Canada are significantly less than the national average (MacDonald, 1998; Jackson and Jackson, 2001). For example, in 1996, the average family income in Canada was \$56,629. For the four Atlantic provinces namely, New Brunswick, Newfoundland-Labrador, Prince Edward Island and Nova Scotia, the average family income was \$45,587. Newfoundland-Labrador had the lowest family income at \$43,564, followed by Nova Scotia with the second lowest in the country at \$45,087. Also, for the same year, Alberta had the third highest family income at \$57,735, and Ontario had the highest family income at \$62,614 (Jackson and Jackson, 2001). In 1977, the average family income for Alberta was \$21,300, and for Nova Scotia the average family income was \$16,500 (Lithwick, 1989). A comparison shows that the gains in average family income from 1977 to 1996 are significantly greater for Alberta (\$36,435) than for Nova Scotia (\$28,587).

Low per capita income for Nova Scotia and the Atlantic region in general, is related to low rates of economic productivity (Atlantic Canada Opportunities Agency, 1998a). For example, in 1995, Atlantic Canada's labour productivity in the total economy, as measured by output per hour, stood at 83.7 per cent of the national average, and represented the lowest output in the country. In sharp contrast, Alberta's output per hour was 123.2 per cent of the national average, and reflected the highest output in the country. Furthermore, an examination of Canada's total economic productivity growth

rates from 1984 to 1995, indicate an average annual growth rate of 0.61 per cent for Nova Scotia, while Alberta's growth rate was twice as high at 1.22 per cent (Atlantic Canada Opportunities Agency, 1998a). This trend is also reflected in Atlantic Canada's lagging GDP growth rates as compared to the Canadian average. From 1993 to 1997, while Canada's average growth in GDP was 2.8 per cent each year, Atlantic Canada's yearly growth in GDP stood at only 1.4 per cent (Atlantic Canada Opportunities Agency, 1998b).

High debt and deficit loads

The combination of recession and cuts to federal fiscal resources contributed to significant increases in debt and deficit for Nova Scotia. As a result, the province's debt and deficit soared during the 1980s and 1990s. This was caused chiefly by economic recession that consumed revenues from income taxes, and by the province's dependence on fiscal transfers, which as just mentioned, accounted for approximately 37 per cent of revenues in the early 1990s (Cameron, 1995). The problems associated with debt and deficit were exacerbated by reductions in EPF and CAP, and decreases in equalisation payments caused by a slow down in provincial economic growth across the country.

In the early 1980s, provincial debt totalled nearly \$800 million, which amounted to about \$900 per capita. But by 1990, the debt climbed to \$4.5 billion, which represented almost \$5,000 per capita (Cameron, 1995). By 1993, the debt reached \$6.9 billion representing about \$7,500 per capita. Moreover, the interest on the debt compounded rapidly amounting to \$142 million in 1980, and rising to \$571 million in 1990, and climbing still to \$804 million in 1993 (Cameron, 1995). In 1980, 1990, and 1993, interest charges represented 9.4, 15 and 18.25 per cent of provincial operating

expenses, respectively. In 1993, interest payments on Nova Scotia's debt rivalled provincial operating expenditures, and were higher than all other expenditures with the exception of health and education (Cameron, 1995).

Provincial attempts to reduce expenditures and mounting debt

Following the 1993 provincial election, the Liberals formed the provincial government in Nova Scotia, and they introduced measures to counter the growing debt and deficit in their first budget tabled in September 30, 1993. For example, all civil servants were required to take five days of unpaid leave prior to the end of the 1993/1994 fiscal year. Also, the provincial government set a goal to decrease its expenditures by 3 per cent per year for 1994-95 and 1995-96, and expenditure reductions were set for 2 per cent per year for 1996-97 and for 1997-98 (Nova Scotia, 1993).

Additionally, the Liberals adopted a strategy to restructure the top four most costly public sectors, including health, education, community services, and transportation, as these consumed over 80 per cent of provincial expenditures. As a result of partial economic recovery and expenditure reductions, the provincial government broke the trend in annual increases in debt accumulation, as the 1993-94 deficit decreased to \$396 million from \$471 million in 1992-93 (Cameron, 1995).

The 1994-95 budget introduced further cut backs for civil servants, including a three-year 3 per cent roll back in wages. Through early retirement agreements, freezes in hiring, and attrition, approximately 5000 government jobs were lost in Nova Scotia from 1994 to 1997 (MacDonald, 1998). During the 1994-95 fiscal period, the province saw further improvements in the economy and it managed to lower the deficit to \$99 million.

Yet, notwithstanding growth in the economy and projections of an operating surplus by 1996-97, Nova Scotia's interest charges on the debt amounted to \$18 million in 1995. Cameron (1995: 102) remarked that the province required significant improvements in its fiscal situation to overcome the debt-deficit dilemma, noting that in Nova Scotia, debt servicing costs 'is the fastest growing expenditure item in the public accounts'.

Finally, to capture the essence of the financial problems that confronted the province in the early to mid- 1990s, it must be noted that regardless of the gains made in economic recovery during this time period, Nova Scotia, like all other provinces, would have to shoulder further reductions in federal transfers that resulted from the 1995 federal budget. As mentioned earlier, the 1995 federal budget announced the government's intention to eliminate EPF and CAP and to replace these programmes with the Canadian Health and Social Transfer (CHST). For Nova Scotia, compared to 1995-96 (pre CHST) standards, the introduction of the CHST resulted in decreases to federal transfers amounting to a loss of \$64 million in 1996-97, and a further reduction of \$104 million in 1997-98 (Milne, 1998).

It is critical to acknowledge the pressures and circumstances faced by the Nova Scotia government when examining provincial perceptions of the merits and disadvantages of devolution, and the eventual decisions made about the federal proposal.

Nova Scotia's social environment: Early to mid- 1990s

Nova Scotia's long-term economic problems and underdevelopment have resulted in social hardships for Nova Scotians, including high rates of poverty, high unemployment, and low educational levels. As will be evidenced in the next section, Nova Scotia's

decision on the proposal for labour market devolution was influenced by the impacts of these social hardships on citizens. Moreover, in recognition of these disadvantages, the provincial government promoted the adoption of social development and community capacity building strategies, as important means to address labour market issues. In fact, when the federal-provincial agreement was implemented, two of the three issues identified as priority areas for labour market development were directly related to social development concerns. The three priorities identified are, (a) to enhance literacy skills (b) to address the needs of children aged 0 to 6 years, and (c) to improve information technology skills among Nova Scotians (Nova Scotia, 2000a, b, and c.). A provincial respondent explains:

In the province we see things like literacy, information technology, and the development of children in their early years as priorities. We see that from a provincial perspective to a great extent; we see it across all departments and we see it with the agencies that we work with. We see it in terms of social assistance. We see it in terms of child welfare. Some of those priorities are immediate some of them are preventative.
(NS-PR-M)

As mentioned earlier, it is important to understand how the social environment influenced the labour market negotiations, and the agreement finally reached in April 1997.

High poverty rates

During the 1990s, the Atlantic region experienced some the highest rates of poverty⁵ in the country. For example, in 1997, the poverty rate for single-parent mothers in central and western Canada stood at 57 per cent and 55.3 per cent respectively, while the poverty

⁵To calculate poverty rates, the numbers of poor persons or families are compared to all persons or families in the same category.

rate for the same category in Atlantic Canada was 64.4 per cent (Canada National Council of Welfare, 1999). In general, the poverty rate in Nova Scotia has increased from the early to mid- 1990s. For example, the percentage of persons falling below the poverty line⁶ has risen from 13.4 in 1990, to 16.5 in 1993, and climbed still to 18.1 in 1996 (Canada National Council of Welfare, 1999). While the percentage of all persons falling below the poverty line in Nova Scotia decreased slightly in 1997 to 17.4 per cent, the poverty rate was slightly higher than the national average of 17.2 per cent, and moderately higher than Alberta's poverty rate of 15.5 for the same year.

However, child poverty rates are more disturbing and justify the province's focus on the need to improve the well-being of young Nova Scotians. For example, from 1990 to 1997, the poverty rates for children under 18 years of age increased from 16.8 per cent to 23.4 (Canadian National Council of Welfare, 2001). Moreover, in 1997 in Nova Scotia, the rate of poverty among children of single-parent mothers was 69.7 per cent, representing a total of 23,000 children, which accounts for half of all children living in poverty in Nova Scotia. Both the national average of 60.4 per cent, and the Alberta rate of 58.2 per cent, fall significantly below Nova Scotia's rate of poor children with single-parent mothers (Canada National Council of Welfare, 1999).

A final note concerning poverty in Nova Scotia must recognise the increase in all categories of poor from the early to mid- 1990s. This is particularly noteworthy when considering that Nova Scotia had the third lowest poverty rate of 13.4 per cent in 1990, and by 1996, the province's poverty rate of 18.1 per cent was the third highest in the country (Canada National Council of Welfare, 1999).

⁶A poor person or family has an income below the poverty line, which is relative to family and community size. For example, in 1997, for a family of 3 in a community of 100,000 people, the poverty line is \$24,700 (Canada National Council of Welfare, 1999).

High rates of unemployment

The unemployment rates in Nova Scotia and the Atlantic region are in general, among the highest in the country, and have 'worsened considerably following recessions in the 1970s, 1980s, and 1990s, resulting in permanent job loss' (MacDonald, 1998: 393). From 1993 to 1997, the average unemployment rate for the country was 10 per cent, while for Atlantic Canada the unemployment rate averaged 14.3 per cent (Atlantic Canada Opportunities Agency, 1998b). In 1996, Nova Scotia's unemployment rate of 12.3 per cent was higher compared to both the average rate of unemployment for the country, which was 9.6 per cent, and Alberta's unemployment rate of 6.9 per cent (Canada, 2002).

Long-term unemployment rates reflect the incidence of unemployment for two years (the year of the census plus the preceding year). In 1996, the long-term unemployment rates for Canada and Alberta were 3.3 per cent and 1.7 per cent, respectively. In contrast, Nova Scotia's long-term unemployment rate of 3.2 per cent was slightly lower than the national average, yet significantly higher than the rate found in Alberta (Canada, 1996d).

While Nova Scotia's long-term unemployment rate is only slightly lower than the national average, the real long-term jobless rate in Nova Scotia may be higher than indicated by official estimates. Statistics Canada's official estimates of long-term unemployment, as just reviewed, does not take into consideration 'discouraged workers' who are no longer actively searching for work (Sinclair, 1994: 9). As a cohort, those individuals who are actively searching for employment are represented by employment participation rates. Nova Scotia's participation rates for 1991 of 62 per cent is lower

compared to the national average of 66 per cent, and Ontario's average of 70 per cent (Sinclair, 1994).

Low levels of education and literacy: Implications for employability and income

To gain an appreciation of some of the challenges and circumstances faced by the province while negotiating the labour market agreement, it is important to address some of the variables related to employment and unemployment. Both federal and provincial civil servants noted the importance of understanding the implications of literacy and education for employability in a changing labour market in Nova Scotia. Over the last few decades, Nova Scotia has shifted from a primarily resource-based economy to a knowledge and service-based economy, and as such, employment trends mirror this shift. For example in 1997, 67 per cent of Nova Scotians were employed in the service sector, and in contrast to this, only 6 per cent were employed in the resource sector, such as agriculture, mining, fishing, and forestry industries (Nova Scotia, 1998).

In Atlantic Canada, from 1992 to 1996, the availability of jobs for those with a high school diploma or less decreased by 32,500, while employment opportunities for people with some post-secondary education increased by 35,600 (Nova Scotia, 1999b). Furthermore, with regard to Nova Scotia, in 1997, Human Resources Development Canada (HRDC) projected an increase in employment that requires advanced literacy skills and higher levels of education, and a decrease in employment opportunities that require only minimal literacy skills and education for the latter 1990s and early 2000s (Canada, 1997a). For instance, HRDC's study predicted that from 1998 to 2003, the demand for mine labourers would decrease by 55.8 per cent, and that jobs in computer programming would increase by 36.1 per cent (Canada, 1998).

Also, results from the International Adult Literacy Survey (IALS) provide support for provincial priorities that point to the salience of literacy skills in Nova Scotia. The IALS assessed literacy competency based on scales from one to four, with higher scales representing higher levels of literacy. The IALS identified literacy as an indicator of employment income, whereby people with lower literacy skills earn less than those with higher literacy competency (Organisation for Economic Co-operation and Development (OECD) and Human Resources Development Canada, 1997). For example in Canada, the IALS found that:

Nearly half (47 per cent) of adults at the lowest level of literacy on the prose scale were living in low-income households, compared with only 8 per cent of those at the highest level of literacy. The risk of living in a low-income household was thus six times greater for individuals at Level 1 than for those at Level 4/5.
(Canada, 1998: 14)

Furthermore, the relationship between income and literacy was stronger for men than it was for women, yet, nearly 40 to 45 per cent 'of the economic return yielded by education is due to literacy skills' (Canada, 2000). Given the shifting requirements in the workplace, it is noteworthy that the IALS found literacy competency in Atlantic Canada to be slightly to moderately lower than the national average. For example, on literacy scales from one to four, 53 per cent of Atlantic Canadians function at the two lowest levels, indicating limited to extreme deficiency in literacy ability (OECD and Statistics Canada, 1996). In contrast, the national average for scores on the two lowest levels stands at 48 per cent. In addition, the national average for scores on the highest level, indicating very high literacy skills, stands at 21 per cent, in comparison to 15 per cent of Atlantic Canadians who achieved the highest rating. While these statistics provide evidence for the existence of literacy problems nation-wide, Atlantic Canada's slightly greater disadvantage is noted.

In addition to literacy, education is an indicator of employment income and unemployment (Canada, 1996b and 1997b). Moreover, in 1995 in Nova Scotia, the average employment income for people holding a university degree was \$34,871 compared to the average incomes of \$17,388 and \$19,182 for those with less than grade nine, and those with a high school diploma, respectively (Canada, 1996b).

Also, it is important to note the correlation between education and unemployment. For example, in Nova Scotia in 1997, the unemployment rate for those with a university degree was 8 per cent, whereas the rate for those with a high school diploma was 19 percent, and the rate increased again to 36 per cent for those with less than grade nine (Canada, 1997b). The lack of at least a high school diploma is a significant concern for the province. In Nova Scotia, out of all of the students who attended grade seven in the mid- 1960s, two-thirds left school prior to grade 12. Although high school retention rates have improved, the labour market in the early to mid- 1990s was still dominated by older employable workers with relatively low levels of education (Osberg, 1994). In fact, during the labour market negotiations during 1996-97, those workers who did not complete their high school education in the 1960s, were in their mid to late 40s, and therefore were expected to remain in the labour market for at least another twenty years.

As mentioned earlier, a moderate improvement in high school achievement in Nova Scotia is noted in the 1980s and 1990s. High school achievement percentages have increased to 46.46 per cent for 1986, 54.87 per cent for 1991, and 58.97 per cent for 1996 (Canada, 1996c). While the numbers of people achieving their high school diploma has improved since the 1960s, for the years just mentioned, 1986, 1991, and 1996, Nova Scotia still only ranks fifth highest in the country on high school attainment. In comparison, Alberta ranks third for all three years (Canada, 1996c).

In brief, this review of some of Nova Scotia's social and economic challenges highlights the province's vulnerability to federal decisions concerning EI Part I policy (the income benefit) and EI Part II policy that was proposed for devolution. As mentioned earlier, the accountability framework for EI Part II prioritises eligibility for EI Part I clients. And, prior to the proposal, the federal government introduced tighter eligibility rules, reduced benefit amounts and shorter benefit periods for EI Part I. These federal stipulations would limit the breadth of services available and the number and range of citizens who could actually benefit from EI Part II active measures. Therefore, the combination of relatively high unemployment rates, comparatively low education and literacy levels, and the declining availability of work to match these lower level skills, served to restrict the number of citizens that could qualify for either EI Part I or Part II programmes.

These social and economic considerations influenced provincial positions asserted during the labour market negotiations. From the provincial perspective, population characteristics such as relatively low levels of education and literacy, and the correlation of these with unemployment and income levels, were challenges that needed to be addressed by a labour market development agreement between itself and the federal government.

Dependency

As discussed in this chapter and the one that follows, the dynamic of dependency as an influence on federal-provincial relations, is pertinent to this thesis. Bickerton (2001) notes Nova Scotia's dependency on federal-provincial economic development arrangements to build the province and states:

A provincial economy so dependent on transfers and federal spending of one sort or the other is not driven by its own internal dynamism, but by the economic vitality of other regions and the fiscal resources this provides to the national government for redistribution.
(Bickerton, 2001: 58)

Accordingly, Atlantic Canada's social and economic conditions have strongly affected federal-provincial relations, whereby, 'their struggle for economic development has served to condition their response to federal government initiatives' (Savoie, 1988: 291). Explaining definitions of the concept of dependency is contingent upon the theoretical perspective adopted. Savoie (1988) points to two conflicting perspectives that stem from radical political theory and neo-classical theory. Radical political theory⁷, holds that accumulation of capital results in amassing wealth for elite social classes, and within 'particular places as well, leading to polarization of development' across geographic regions (Savoie, 1988: 292).

The radical political perspective draws attention to the systematic depletion of Atlantic Canada's capital and resources by other regions. This argument is similar to Alberta's contention that its resources have been used to accumulate wealth in central and eastern Canada. According to the radical perspective, economic inequality among regions is in fact 'functional' to the larger economy as economically weaker regions provide ready labour for upwardly mobile regions (Savoie, 1988: 292).

For Nova Scotia and the other three Atlantic provinces, the high rate of out-migration is viewed as a 'systematic draining' of human resources that are needed to build the region (Savoie, 1988: 292). While immigration to Nova Scotia is low, at about

⁷Brodie (1990: 37) compares other dependency theories similar to radical political theory, including metropolitan-hinterland and Marxist theories that 'posit that regions are defined as an effect of their relationship with other regions'.

half that of the national average in 1996, out-migration is high (Atlantic Canada Opportunities Agency, 1997). For example, one-quarter of those born in Atlantic Canada reside outside of the region (Atlantic Provinces Economic Council, 1998). Simeon and Elkins (1980) remark:

The low level of immigration may mean little importation of new ideas; and the high level of emigration may mean that some of the most “modern” individuals have left.
(Simeon and Elkins, 1980: 69)

There is a trend in the out-migration of young, educated, and highly skilled workers (MacDonald, 1998). Between 1991 and 1996, out of the entire population who moved out of the region, 34 per cent possessed a university degree, while 14 per cent graduated from high school, and only 2 per cent had less than a grade nine education (Atlantic Provinces Economic Council, 1999). According to radical political theory, dependency is understood as a purposeful strategy of privileged regions to usurp resources from disadvantaged geographical regions.

In contrast to radical political theory, neo-classical theory holds that federal development programmes and financial transfers serve to create and maintain dependency on the federal government (Savoie, 1988). To encourage independence, the proper course of action according to neo-classical theory, is to rely on market forces. From this viewpoint, the high unemployment in Nova Scotia, ‘results from a failure to equilibrate labour supply and demand’ (Savoie, 1988: 293). Neo-classical theorists argue that provincial dependency on transfers and individual dependency on employment insurance, for instance, create disincentives for provinces and individuals alike, to actively seek ways and means to achieve independence (Courchene, 1994; Green, et al., 1994; McMahon, 2000).

In relation to neo-classical theory and the dependence on the market to balance supply and demand of labour, Atlantic Canadians are sometimes criticised for being unwilling to relocate to other provinces to search for employment (Atlantic Provinces Economic Council, 2000). Yet, as just mentioned, out-migration is high in Atlantic Canada. Between 1991-92 and 1998-99, approximately 46.5 thousand Atlantic Canadians moved to other provinces, which represented the highest percentage of mobility when compared with mobile populations from all other regions in the country (Atlantic Provinces Economic Council, 2000).

Brodie (1990), Savoie (1988), and Bickerton, (2001) suggest that the Atlantic region has attempted to become independent and overcome its heavy reliance on the federal government. Since the federal government established its regional development mandate in the late 1960s, provincial governments in the Atlantic region have adopted a pragmatic approach to political and economic province-building (Savoie, 1988). Provincial governments have attempted to build-up their provinces through participating in numerous federally initiated regional development projects, and by predictably agreeing to cost-share with the federal government on other programmes when such opportunities arise (Savoie, 1988). Bickerton (2001: 58) describes Nova Scotia as a 'policy taker' and 'passive recipient' of federalism and the system of redistribution in Canada.

The problem is, in part, that public policy and economic planning efforts to work toward independence tend to be overly dependent on federal-provincial joint initiatives that are largely supported by federal resources, including federal civil servants (Savoie, 1988). A repercussion of these arrangements is the significant federal presence and influence over provincial policy. In addition, the over reliance on federal government

participation has led to a deficiency in policy expertise in provincial bureaucracies that would otherwise allow Atlantic provinces to ‘to rival Ottawa or even other provinces’ and to assert their own ideas on policy, or even disagree with the federal government (Savoie, 1988: 297). The lack of adequate bureaucratic expertise is related to the fact that Atlantic governments ‘simply do not have the human resources to devote their attention to more than a handful of major policy issues’ at any one time, and ‘what personnel is available is invariably earmarked for the operational side of government’ (Savoie, 1988: 297).

In light of these assertions, the lack of provincial challenges to the federal government is noted. Savoie (1988) observes that since World War II, the region has not severely challenged the federal government, and unlike Alberta, the Atlantic provincial governments are reserved in their relations with Ottawa. Bellamy (1976) and Savoie (1988) suspect that this controlled demeanour is influenced by the excessive federal activity in provincial affairs, and by a political culture based on loyalist and conservative values.

The last two sections of the chapter have reviewed several facets of Nova Scotia’s economic and social environments evident during the early to mid- 1990s. Challenges encountered by the province during this time were discussed, and included (a) federal fiscal restraint (b) low provincial revenues (c) high debt and deficit loads (d) high rates of poverty and unemployment, and (e) and low levels of education and literacy. While various explanations for Nova Scotia’s disadvantages exist, noteworthy is the provincial perception that federal decisions that favour interests in central Canada, serve to disadvantage the Atlantic region. Nova Scotia’s struggles to build the province to improve conditions for citizens, and overcome dependency, are somewhat ironically ‘dependent’ on federal government intervention. The dynamic of dependency proved to

be most germane in the case study of labour market devolution, as evidenced in the interviews undertaken with federal and provincial civil servants in Nova Scotia.

Nova Scotia's responses to federally proposed labour market devolution

An examination of the interviews with provincial and federal civil servants in Nova Scotia reveal several influences that shaped the provincial response to the federal offer, and the type of labour market agreement eventually adopted. This chapter will now review respondents' views on Nova Scotia's reliance on the federal government regarding labour market development, and perceptions related to provincial capacity limitations.

Also examined is the provincial position on the risks associated with devolution, and the importance attached to social development and community capacity building, as critical components to labour market development. These factors will be examined in an attempt to shed light on the political and public interests that underlie governmental perceptions and decisions pertaining to the federal-provincial negotiations.

Provincial reliance on the federal government and capacity limitations

To begin, all of the provincial and all of the federal respondents pointed to the long-standing provincial dependency on the federal government as a pivotal influence on the provincial attitude towards devolution. Respondents pointed to Nova Scotia's historical struggle with high levels of unemployment, and widespread out-migration of young workers who receive training in Nova Scotia, and then relocate to other regions in Canada to secure employment. Also, respondents noted the high provincial poverty rate and Nova Scotia's high per capita deficit and debt load. Respondents observed the province's reliance on the federal government to fund and oversee labour market programming, and

how the potential loss of this federal involvement was worrisome, considering the lack of province fiscal capacity to compensate for such losses.

Yet, not all provinces in the Canadian federation are confronted by the same extent of capacity limitations. One federal respondent makes this distinction and states:

Certain provincial governments are much better able to take on broader responsibilities from the federal government and wish, I would dare say, to get more. That probably has to do with their capacity as a provincial government and their fiscal situation. So as fiscal situations improve amongst provincial governments, their abilities to become more jurisdictionally sound in terms of delivering federal programs and services or even their own, becomes much more apparent. But, in a region like Nova Scotia, it's a small region with a population of 940,000, so the challenges around capacity and the challenges around size have some real bearings on these issues.
(NS-FD-O)

The issue of limited capacity was an overarching concern. All of the provincial and federal respondents argued that, in general, Nova Scotia's capacity was not sufficient to incorporate labour market responsibilities as outlined by Part II of the Employment Insurance (EI) Act. To recapitulate, the federal proposal was to devolve to provinces authority and responsibility for active employment services and benefits such as targeted wage subsidies; self-employment assistance; job creation partnerships; and skills loans and grants.

Respondents maintained that the province, independently, could neither improve nor maintain labour market programmes for citizens of Nova Scotia. Respondents asserted that a lack of fiscal resources limited the ability of the province to invest in provincial labour market programmes. Apart from adequate funds, perceptions about the province's lack of capacity included limited physical resources (primarily buildings,

equipment and related technology) human resources in general, and a deficiency in policy expertise more specifically.

These shortcomings impeded the establishment of an infrastructure to support comprehensive provincially led labour market activities. For example, there was no official department within the provincial government to house and to administer the labour market responsibilities that were associated with the proposal for devolution. In addition, Nova Scotia did not have an integrated labour market strategy. According to the respondents, there was no comprehensive policy framework to link various labour market services provided by different provincial departments. One provincial respondent comments:

We had not, as a province, developed a labour market strategy or human resource development plan...it was difficult to imagine how we could even enter into a negotiation in the absence of that kind of policy position. We did not have a department that was clearly responsible and staffed only to deal with the administration and delivery of the types of benefits and programmes being contemplated or being provided under the EI Act.
(NS-PR-N)

On this topic, another provincial respondent states:

We didn't have a comprehensive policy framework that would tie together the various labour market services provided by different provincial departments. So there was nothing to link skills training to welfare reform to entrepreneurship. So, we were in a position where we couldn't negotiate devolution because of a lack of administrative capacity and lack of strategic capacity within government to deal with that offer.
(NS-PR-L)

Furthermore, and in relation to the level of capacity, there is evidence to substantiate Savoie's (1988) observations as noted earlier, about the extensive federal involvement in provincial affairs. Two-thirds of the provincial, and over half of the

federal respondents, referred to the federal government's significant involvement in the day-to-day deliberations and activities of the provincial government. As an example of this, one provincial respondent explains:

We may be more inclined toward looking for joint solutions and, in fact, looking to the federal government for partnering. We've done that a lot in the work I'm doing with information technology. Everything we're doing is in partnership with the Government of Canada- on the policy side, and on the implementation side as well. It's the only way we can do it.
(NS-PR-K)

Also, respondents thought that during the labour market negotiations, the province was occupied by competing demands on its attention, and that it could only deal with a limited number of issues at one time. For example, the province was engaged in other pressing initiatives, including restructuring and collapsing the municipal and provincial welfare systems. Respondents noted that this was a taxing initiative for the province to take on, as it involved integrating municipal workers and former municipal welfare programming into the provincial system.

In relation to provincial staffing, another problem pertaining to capacity limitations was the transfer of federal employees. This was perceived as a very difficult issue to negotiate. As pointed out earlier, where provinces accepted responsibility for active measures in EI Part II, it was expected that federal Human Resource Development Canada employees would be transferred along with the programmes. In Nova Scotia, this meant that the provincial civil service was expected to hire approximately one hundred federal employees.

To briefly review, a significant priority for the federal government was ensuring that employees who were transferred to provinces received a certain level of job

protection for a period of three years. There were several federal requirements attached to the transfer of staff including conditions of salary, job assignment, classification, seniority, and benefits. The federal requirement of provinces to protect these workers was complicated by the trend in provincial and federal downsizing of the civil service. In fact, in both Alberta and Nova Scotia, federal and provincial governments had undergone significant downsizing in the 1990s (Peters, 1999).

The decline in employment across both levels of governments was preceded by a significant growth of government workforces by 1,198 per cent from 1941 to 1991. Between 1991 and 1996, however, government workforces decreased by 22 per cent, and 15 per cent for provincial and federal governments respectively. Taking a closer look at the case study provinces reveals that in Alberta, the decrease in government employment was much more dramatic with a decline of 34.8 per cent, compared to Nova Scotia's decline of 15.7 per cent (Peters, 1999). The majority of respondents in both Alberta and Nova Scotia noted that working with federal and provincial employee unions to negotiate the protection of some workers, within a climate of downsizing, was difficult for all those involved.

In Nova Scotia, over three-quarters of provincial and all of the federal respondents identified the transfer of staff and conditions associated with this transfer as a significant barrier to devolution. As noted already, respondents were concerned about the lack of a central locale for labour market development activities. According to the respondents, much of the challenge to negotiating devolution stemmed from a concern over the lack of infrastructure to incorporate these employees. Moreover, respondents noted that it was very difficult for the province to guarantee prior federal employees'

employment and job security when provincial civil servants were losing their jobs. One provincial respondent comments:

In Nova Scotia in 1997, we had just finished a seven-year wage freeze. Civil servants had taken a 3% wage roll back and the relationship between the government and the union was very tenuous. Devolution would mean that we would have to hire federal HRDC employees at a level of pay, seniority and benefits that were much higher than those of existing provincial civil servants. So that means a lot of things. It means that the collective agreement would have to be breached or those employees would have to be treated as a separate bargaining unit and it would also affect seniority and bumping rights if there were layoffs. So, from just the personnel administrative point of view, devolution was very difficult, especially given the timing of the offer.
(NS-PR-L)

As discussed earlier, Nova Scotia is dependent on the redistributing mechanisms of Canadian federalism. The respondents observed that this reliance extended to fiscal resources, infrastructure, and policy expertise in the case of labour market policy. The themes of ‘capacity’ and ‘dependence’ tended to overshadow the provincial desire to be more involved in labour market activities. It would be a mistake to assume, however, that the province was not interested in increasing their participation in this policy area. As will be discussed, the province was very keen to have as much impact as possible on labour market initiatives. Yet, given their lack of capacity, clearly the province was overwhelmed by its responsibilities irrespective of additional labour market obligations that would be generated through devolution. As will be seen, the province was concerned not only about their capacity to assume labour market development responsibility; they were also concerned about the potential losses that would result from devolution.

Perceptions of the political disadvantages of devolution

All of the provincial and over three-quarters of federal respondents acknowledged Nova Scotia's concern that devolution, and the simultaneous loss of federal involvement, could result in substantial costs to the province over the years to come. In general, respondents noted the provincial worry that without consulting the provinces, the federal government could make changes to EI legislation that would reduce the quality and availability of labour market benefits to Nova Scotians. For example, Ottawa could make changes to EI Part I that could result in yet further reductions in income benefits to the unemployed. Also, it was suggested that devolution could lead to the province paying an increased share of labour market costs should the federal government significantly alter the status of the agreement in the future.

For instance, there was some uncertainty regarding whether or not the funds guaranteed over the first three years would continue once the initial agreement lapsed. Further, without a consistent and adequate level of federal funds allocated for labour market activities, the province would be placed in a highly vulnerable political and fiscal position, given its accountability for EI Part II responsibilities, including its obligation to protect the job security of the newly hired federal employees. Should fiscal resources be significantly cut back or eliminated, the province would be left to shoulder these responsibilities on its own. This provincial concern was acknowledged among federal civil servants, as two federal respondents remark:

There was a concern that- and this is not something I would suggest would occur- but- the province has had examples in the past where funds were transferred to the provinces and then that structure erodes so the province will have inherited the jurisdiction but lost some of the fundamental support in the carrying out of activities in supporting that. So there was

some concern around that possibility. That was a risk that our provincial colleagues were aware of- not that we were suggesting that was something that would happen.

(NS-FD-Q)

There was provincial distrust of the federal government and whether or not with a poorer province, a financially strapped province, whether or not the federal government would change the rules in a few years and leave them holding the bag. I think there was probably some of that reluctance based on scepticism of being left holding the bag.

(NS-FD-R)

Overall, given the potential for unknown federal unilateral fiscal and policy changes in the future, the province could face increased fiscal costs, and decreased access to effective labour market policy and programmes.

Another related concern expressed was that devolution would lead to less federal acknowledgement regarding circumstances that affect the province. In contrast, keeping the federal government responsible for the provision of the provincial labour market offers some assurances that the province's labour market needs will have a voice in Ottawa. On this issue, one provincial respondent remarks:

We felt that there was benefit to having a federal presence in Nova Scotia. It meant that there were managers and workers, employees here, who were living in the context of Nova Scotia and taking that perspective to Ottawa and to meetings where they met with their colleagues.

(NS-PR-N)

In connection with the idea of wanting to retain a federal presence in Nova Scotia, half of the provincial respondents noted the provincial attitude that labour market development was a federal responsibility, and that it was inappropriate for the federal government to step away from these activities. One provincial respondent commented

that without federal involvement, policies and programmes associated with labour market development would erode over time. The respondent goes on to say:

I do believe the federal government has a role to play in Nova Scotia and I think they should have a direct emphasis on the people in this province...in order to fulfil my idea of federalism...The federal government has to be here and has to maintain a presence and has to deliver things that impact Nova Scotians' lives.

(NS-PR-J)

Respondents commented that there was a lack of provincial political will to accept devolved labour market responsibilities. Given the province's limited capacity and the uncertainty of circumstances that might be thrust upon them in the future, respondents suggested that the province was extremely concerned that devolution would result in considerable political costs for the Nova Scotia government. Prior to addressing examples of political costs, it is important to examine the limitations of the devolved responsibilities as perceived by the province. This is significant because respondents thought that limitations in the effectiveness of the policies proposed for devolution might actually lead to political costs for the province.

From the provincial perspective, EI Part II benefits and measures proposed for devolution had limited ability to improve the employability of Nova Scotians. In particular, provincial respondents thought that the restrictions imposed by the accountability framework, such as priority service to EI clients, were worrisome, given the fact that many Nova Scotians would be ineligible to receive EI services. As noted earlier, reforms to EI in 1996 made it more difficult for people to access benefits, as the eligibility requirements were made more stringent. Addressing the loss of benefits for the unemployed, one provincial respondent explains:

When EI reform was announced, my immediate reaction was this isn't good; this will disenfranchise many of the groups that I work with because many of them are not EI eligible. What I saw was that many of the young people who I was dealing with probably couldn't benefit from any of the tools and measures from Part II. Many of the African-Canadians didn't have that type of long-term work experience that EI now requires. So they were now disenfranchised.

(NS-PR-J)

It was the perception of provincial respondents that federal EI legislation hindered the effectiveness of the responsibilities proposed for devolution to adequately meet the needs of the unemployed in the province.

Given the social and economic disadvantages discussed earlier, it is understandable that there was little political appetite for devolution. As mentioned earlier, federal and provincial governments made significant cuts to social policy and related programmes to curb expenditures, and to contain growing costs associated with debt and deficits. Consequently, cuts in the mid- 1990s to federal EI and provincial community services, including social assistance programmes, were met with criticism from the general public.

Further, the provincial government's attempts to reduce expenditures and constrain the growing debt problem, received criticism from labour movements and the civil service unions as a result of downsizing in the civil service and undermining the rights of workers. As an example, in 1994, the delivery of the provincial budget speech, that was to announce significant reductions in expenditures, had to be cancelled because of a public demonstration outside of the legislature building. This violent demonstration was led by construction workers who were protesting the government sanctioned practice of permitting union and non-union workers to work side by side on the same projects (Cameron, 1995). Public frustration with government restraint led to a lack of provincial

political enthusiasm for accepting devolved responsibilities that might result in the loss of electoral support.

Respondents noted the political hazards of devolution for the provincial government that were associated with closer identification with EI Part I and Part II policies and programmes. As a result of shifts in the economy, and the decline of several resource-based industries, it was expected that more workers would lose their jobs. With high unemployment levels expected to continue, accepting devolution ran the risk of further negative political repercussions. For example, under a devolved labour market agreement, Nova Scotians could hold the provincial government accountable for lack of access to EI benefits. Following an early briefing by federal representatives as to the details of the federal proposal, one provincial respondent recalls being overwhelmed by the federal expectations of the provincial government. Noting the terms of the proposal the respondent comments:

My first reaction was wow, the federal government wants us to hire 105 federal staff people that they've identified, and put them over to a provincial government that doesn't have any infrastructure. We don't have Employment Support Services Offices to the extent that Alberta and Quebec has them. We're already in a period of downsizing within our own provincial government. We're going to have all of these people coming out of the fishery, coming out of forestry and the mining industry, because in Nova Scotia our economy is restructuring daily. Who are they going to blame? Well, will they remember that it's been 20 years of this older system that hasn't been a very good system of matching workers to jobs or are they going to blame who has the money now and who holds the jurisdiction now? And so I just said why would Nova Scotia want this agreement?
(NS-PR-J)

Federal respondents also noted the provincial political vulnerability associated with devolution. One federal respondent pointed to the provincial need to be politically

sensitive to human resource and labour issues, and parameters around programme accessibility. The respondent remarks:

I thought they were being fairly sensitive to the political situation that they were in and knowing that they were just going through a transformation of their own public service at the same time, and they had very strong unions. They had to be very careful and cautious about how they handled this process...I think they also realised that some of the decisions about funding projects were fairly political and would mean, because of the conditions of some of the programmes, that it would mean saying “no” to their own citizens; and they felt in some way, perhaps, that it was better to have some of those decisions remain federal decisions as opposed to provincial ones.
(NS-FD-U)

In sum, the provincial position was influenced by the perception that several costs could arise from devolution. The province was concerned that federal unilateral changes to EI legislation, or to the labour market agreement, could result in increased provincial fiscal costs. This was particularly worrisome considering the province’s capacity limitations. Also, the provincial government was concerned about the public unpopularity associated with EI Part I and II. Given the reductions in the income benefit, and notwithstanding the possibility of further cuts and the restrictions surrounding eligibility to employment benefits, devolution was perceived as a political risk. The provincial government worried that it could expect political repercussions should it become more closely identified with EI through the devolution of Part II benefits and measures. In general, the provincial position on devolution was marked by extreme cautiousness.

Declining the proposal for devolution

When compared to the transfer of responsibility in the devolution model, all of the provincial respondents agreed that a federal presence would ensure a more preferable agreement that would offer better labour market opportunities to Nova Scotians. In the early days following the federal proposal, it first appeared that the provincial government was agreeable to devolution, and acted to initiate such an agreement. Yet, as the negotiations progressed, the province became more cautious about adopting the full transfer devolution model.

As federal government bottom lines became clear, such as the stipulations surrounding the transfer of federal civil servants, the province backed away from its initial favourable response. In fact, as one federal respondent noted, the absence of provincial interest made negotiations quite difficult, because at one point, the province did not want to pursue further discussions. The respondent comments:

The province didn't want to negotiate so we had a strategy group that worked on a series of papers to examine options. A lot of informing- and we had at one point said it would be easier to negotiate if we had someone to negotiate with. There was little interest. But as we continued with the information sessions and meetings we began to understand some of the provincial issues in terms of where they felt there were significant barriers or why they wouldn't particularly be interested in the nature of a labour market development agreement that Ottawa had originally offered. Once that was understood we began to really focus on "well, that's not an option but there are other options" and we worked through them.
(NS-FD-T)

Less than half of the federal respondents remarked that Nova Scotia was not the only province that was tentative in negotiating a devolution agreement. Moreover, as time wore on, some provinces began to consider the co-management model. The co-

management option involves a shared responsibility between both levels of government for labour market development under EI Part II. This partnership involves a sharing of resources, including fiscal and physical infrastructure, and an exchange of information on current labour market initiatives.

It is noteworthy that less than half of the respondents in the total sample for Nova Scotia had any knowledge about the provincial position on the option of co-management, even when the subject was raised in the interviews. In fact, only half of the provincial respondents even acknowledged that the option was broached during negotiations. This may indicate the provincial desire to move as far away from devolution as possible, and it also may be related to the provincial hesitancy in participating in the negotiations. Further, the experience of failing to negotiate devolution heightened the provincial perception of its vulnerability.

Among those respondents who did comment on the model it was noted that co-management would require the province to be an equal partner with the federal government. On this, respondents noted that the province did not perceive itself as being able to enter into an equal partnership with the federal government. This perception was recognised by a federal respondent who comments:

I think that the province might have stayed away from co-management because the co-management model requires a lot, I believe. You need somebody to relate to us. You need somebody with an organization that's close to the same size as us to be on equal footing. Well, what they had was a couple of people in a Labour Market Secretariat. They didn't have the horses to match us.
(NS-FD-S)

All of the provincial, and over three-quarters of federal respondents, noted the presence of a collaborative attitude towards the end of the negotiating period.

Respondents suggested that negotiators believed it was possible to reach consensus on an alternative partnership model that could take into consideration the federal-provincial power differential, and the provincial desire to play an influential role in labour market development. Yet, whichever model was chosen, it was the perception of the province that the approach would need to proceed cautiously. Pertaining to this circumspect approach, and the avoidance of the co-management model, one provincial respondent states:

It's an issue of trust. I think that people weren't ready for co-management. Devolution seemed like an awful axe, you know, to fall down on our necks. But when we couldn't have that, I think there was recognition that we weren't ready for anything in-between. We had to start out slow and easy and so a strategic framework agreement would allow us to discover and to develop that relationship to be able to work together differently. I think that's why it went from one extreme to the other.

(NS-PR-I)

It is important to note that the provincial position to not accept either devolution or co-management, and its brief reluctance to participate in negotiations, are not indications of a lack of interest in labour market development policy. In fact, all of the provincial respondents noted the immense importance pertaining to this policy sector. The province was well aware of the need to improve and maintain the employability of Nova Scotians. As discussed in the next section, the province strongly promoted a macro-structural view of labour market development policy. As mentioned earlier, the notion of social development emerged as a salient theme in the negotiations.

Social development as a policy focus for labour market development

According to all of the provincial, and over three-quarters of federal respondents, the recognition and inclusion of social development issues were given primary status in the provincial position. The province was eager to integrate economic and social issues in a labour market strategy for Nova Scotia. As a consequence of provincial social and economic disadvantages, limitations on employability were noted. The ‘social’ provincial context was a factor that influenced the negotiations. A federal respondent explains:

Social issues are important in the Atlantic provinces. There is the traditional perspective that goes back now a good long time of being a ‘have not’ province. So there have traditionally been issues in Nova Scotia that have a social fall out. Economic bad times here have created pretty bad social conditions for a lot of people. I think there was some obvious perspective that simply addressing the economic issues isn’t good enough in this kind of context. There has to be a recognition of the social aspects as well; and also that addressing economic issues potentially should improve social conditions if people are conscious of it.
(NS-FD-P)

Provincial respondents expressed a concern for individuals who had been marginalized from participating in the Nova Scotia labour market because of the lack of opportunities available. One provincial respondent comments:

In Nova Scotia there is a recognition that you can’t have economic development, or labour market development, without social development. The agreement is very specific about that and everything that we do; the three are tied together, very intrinsically. And, I mean if you look at the three priority areas adopted, “literacy”, “early years” and, “technology” two are certainly in the realm of social development...So we see getting people ready for life, ready for school and ready for work as very important; just as important as the skill side. They complement one another and prevent people from having to further readjust.
(NS-PR-L)

The notion of community capacity building was very influential in shaping the provincial position. Facilitating capacity building in communities was an essential component to the labour market agreement eventually adopted in Nova Scotia. The importance of community capacity building is clearly outlined in the official agreement and reads as follows:

Canada and Nova Scotia have an interest in promoting the concept of community capacity building so that communities can have a greater control over their interests, needs and opportunities. Citizens will require the support, skills and tools to allow them to build self-sufficiency. The partners to this agreement are prepared to explore the long-term potential of this approach.
(Nova Scotia, 1997: 4)

On April 24, 1997, the two levels of government signed the Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships. Although this model offers perhaps somewhat more provincial participation than existed prior to the agreement, it is not an agreement based on the devolution of responsibility from federal to provincial jurisdiction. In Nova Scotia, the federal government remains responsible for all EI Part II benefits and measures. The Nova Scotia agreement has a strong federal-provincial collaborative focus, with a significant emphasis on community development issues.

As discussed earlier, in the beginning of the negotiation period the province strongly considered devolution, but, as the details of federal expectations emerged, the provincial assessment of its ability to accept devolution grew doubtful. Consequently, provincial and federal representatives designed a unique agreement that involves both levels of governments working together in areas of mutual interest. The Nova Scotia agreement is heavily reliant on the good will of the partners involved. This model

depends on the partners sharing similar perceptions about labour market issues and opportunities to work together. On this issue, one provincial respondent explains:

Because we have a strategic partnership agreement, the relationships fostered under the agreement are very important to move it along because it's not predicated on legal wording. It is jointly agreed upon and, it's fostered by the willingness of both partners at the table to do something that may not be within their individual mandates but which they've agreed to work on anyway. So, collaborating in this sense means that they're looking at issues that may not directly affect their department. But if everybody works on it, then there's an opportunity to achieve an outcome that everybody wants whether it's directly within their mandates or not. And, that's a very powerful thing. So personalities have a great deal of play in this agreement and we've been very fortunate in Nova Scotia that there's been, for the most part, good relationships between the federal and provincial sides.
(NS-PR-L)

The province perceived it was vulnerable to unilateral federal modifications to EI policy, and to changes in the devolution agreement that could be introduced in the future. Additionally, the province was cautious because of the cut backs and the general unpopularity concerning EI policy. In short, closer identification with EI was not viewed as a politically sustainable solution, as the province was wary of public criticism. Moreover, the province was concerned about the perceived ineffectiveness of EI policy to adequately address the barriers that impacted Nova Scotians' employability. Therefore, while the option of devolution was turned down, the province chose instead to assert its interests by supporting and eventually signing a strategic framework agreement.

In sum, the Nova Scotia position on devolution was influenced by the province's perceptions of its (a) reliance on the federal government (b) capacity limitations (c) vulnerability to incur fiscal and political costs associated with devolution, given the shortcomings of EI policy and the possibility of further EI reform that would exacerbate

these shortcomings, and (d) its perceived need to incorporate social development priorities into a labour market agreement with the federal government.

Conclusion

According to the political interest argument of this thesis, governmental perceptions, and eventual positions on devolution, are shaped by the motivation to preserve and to increase political power and autonomy. Positions on devolution are influenced by the drive to demonstrate governments' relevance to citizens by searching for, and staking out, new jurisdiction and associated responsibilities. Furthermore, governments vie for power and compete for the loyalty of the electorate. In comparison, the public interest argument views governments as primarily concerned about the well-being of citizens. Therefore, decisions about devolution are primarily influenced by governments' perceptions about how devolution would serve or thwart public interests.

In the very early days following the announcement of the federal proposal, Nova Scotia was motivated to accept the greater powers and authority that came with devolution. Yet, a more sober consideration evolved as the province evaluated the perceived benefits and costs associated with increased responsibility and autonomy. Indeed, the province faced a quandary. Nova Scotia's reliance on the federal government for both fiscal and policy expertise served to support a more consistent and potentially a higher quality of labour market policies and programmes than could be expected from the province alone. However, concomitantly, this dependency does not allow the province to grow its own capacity to be independent in this policy area. As suggested earlier by Bickerton (2001), dependency prevents the province from being 'driven by its own internal dynamism' to build provincial fiscal and policy capacity (Bickerton, 2001: 58).

The provincial prerogative to seek out greater autonomy and authority for labour market development was hampered by historical and contemporary circumstances that result in Nova Scotia's relatively disadvantaged position in the Canadian federation. Any provincial initiative or drive to seek out significant autonomy and control over labour market development was muted, largely, by challenges that limited its capacity for growth, and its inevitable dependency on the federal government. According to the political argument, devolution is embraced if it is perceived as enhancing political objectives, such as gaining or maintaining power and autonomy. Yet, in the case of Nova Scotia, the provincial weighting of political advantages and disadvantages of the federal proposal resulted in the strong position against devolution. In Nova Scotia, the avoidance of devolution was influenced by the desire to evade negative fiscal and political costs.

The provincial expectations concerning the losses associated with devolution were widely expressed among respondents. For example, respondents pointed to the taxing of limited capacity; threats of increased draws on resources should federal unilateralism in the form of further cuts to income benefits or Part II programmes occur; and the negative provincial political repercussions resulting from a closer association with EI policy. Given the provincial economic infrastructure and policy limitations, the decision to not accept devolution met a political imperative. For instance, the avoidance of perceived immediate and potential future costs and risks could thereby increase the provincial government's chances for re-election. To ensure its relevance to the electorate, the provincial government chose to avoid extended power and control over labour market policy. Choosing continued dependency on the federal government defies, or at least slows down, the momentum of provincial independence and growth, yet this decision was strategic in ensuring the continued existence of that particular elected provincial government.

The provincial response was a pragmatic one. Political realities as outlined above discouraged the provincial political will to sign a devolution agreement. Noteworthy is the fact that, although Nova Scotia was not prepared to take on EI Part II responsibilities, it wanted to work with the federal government on strategic issues that would enhance labour market development for the province. Importantly, there was the perception that the province knew what was best for Nova Scotia. The province was eager to pursue an agreement that protected them from perceived risks associated with increased control and responsibility, yet offered them the opportunity to effectively participate in labour market policy under EI Part II.

The public interest argument contends that governmental positions on devolution are influenced by perceptions about whether it will improve or worsen policy outcomes for citizens. For instance, the public interest argument asserts that governments will seek out devolution if it is perceived as increasing the effectiveness and efficiency of the policy under consideration. Decisions pertaining to devolution were not only driven by the perspective that devolution would result in severe capacity and political costs, but the provincial position was also influenced by the desire to increase the effectiveness of labour market policy for Nova Scotians.

Two points are most pertinent. First, from the provincial perspective, EI Part II benefits and measures proposed for devolution had limited ability to improve the employability outcomes for Nova Scotians. This perceived lack of effectiveness of the policy is most apparent in the limitations imposed by the accountability framework. Again, priority service to EI clients was of concern considering the reality that many Nova Scotians would be ineligible to receive EI services. Therefore, given Nova Scotia's circumstances, the province justified its avoidance of devolution, in part, based on the fact

that the policy proposed for devolution was not effective. Whether or not the policy was devolved, it remains that from the perspective of the province, it was ineffective policy that would not promote the best outcomes for the citizens of Nova Scotia.

Secondly, however ineffective the policy, in comparison to what the province could achieve on its own, Nova Scotia perceived that better policy outcomes could be achieved for citizens if devolution was avoided. Moreover, labour market policy outcomes could be enhanced if the federal government maintained its responsibility over labour market policy, and if the provincial government provided input through a strategic partnership. The province held that continued federal involvement would ensure an overall superior policy than could be expected if labour market policy was devolved to the province. However, the province asserted that the federal policy could benefit citizens further if provincial involvement in policy development was increased. The province was very strong in its position that labour market policy must address systemic issues that have disadvantaged and challenged the province's ability to become more independent from the federal government.

Additionally, in the realm of public interest arguments, and as discussed in Chapter 2, devolution is often touted as the best way to realise local sensitivity to policy issues (Schwanen, 1996; Noël, 1999). Yet, in Nova Scotia, the province chose partnership with the federal government to realise local issues. In the Nova Scotia labour market negotiations the local context was very significant. For instance, the province was quite sensitive to the interaction among literacy and education levels, and unemployment in the province. Importantly, the province asserted its priority to enhance community capacity building to help the province increase its self-sufficiency. In other words,

strategic labour market policy was conceived as a means to achieve more effective policy outcomes for Nova Scotians.

Both political interests and public interests influenced the provincial position on devolution. The argument favouring political interest influences on provincial decisions about devolution is not straightforward or uncomplicated in the case of Nova Scotia. Nova Scotia's inability to achieve effective and provincially determined policy outcomes for citizens independently is complicated by the concept of dependency. Nova Scotia's response to the federal proposal was conditioned by its disadvantages and associated dependency, even though the province wanted greater control and impact over labour market policy. Yet, the provincial capacity was insufficient, and the political risks of devolution were too high.

To realise both political survival and effective policy ends for citizens, Nova Scotia refused devolution and chose a diplomatic and pragmatic strategy to impact labour market policy in the province. While the province could not accept devolution, it could demonstrate to the public its ability to forge new potentially empowering relations with the federal government by way of the strategic partnership agreement. Although the province did not receive any official transfer of authority, the strategic partnership was considered to be a step forward in provincial participation in labour market policy.

It must be stressed, however, that the province was faced with poor choices from the beginning. The province could accept devolution, but only at the risk of perceived negative fiscal and political repercussions. Or, Nova Scotia could choose to avoid devolution, and pursue a slow incremental approach in attempt to develop policy as an unequal partner with very limited capacity. This dilemma faced by Nova Scotia points to

the challenges posed by its dependency and lack of access to the means required to build its independence and autonomy. Consequently, the Nova Scotia case study illustrates the failure of Canadian federalism to facilitate the equitable redistribution of resources across all provinces. This subject is taken up in the next chapter. Also explored in Chapter 8 is the relationship between political and public interest influences on federal and provincial governmental positions on devolution.

Chapter 8

Analysing Political and Public Interest Influences Among Three Governments

Introduction

This chapter will analyse the evidence presented in the thesis to determine the extent to which governmental positions on devolution are influenced by political and public interests. Evidence from the three case studies will be compared and contrasted to shed light on the strength of the hypotheses explored in this thesis. Beginning with the ‘political’, and then moving to the ‘public’ interest argument, the positions taken on devolution by the federal, Alberta, and Nova Scotia governments will be examined.

This examination will assist in answering the questions set out in Chapter 1. To recapitulate, this thesis seeks to understand whether governmental positions on devolution are influenced primarily by political or public interests. Further, this thesis examines how federal and provincial positions on devolution compare with each other. Also, this thesis explores the reasons why provincial governments accept or challenge the forms in which devolution is advocated by the federal government.

Influence of political interests

To review, the political interest argument maintains that governments are motivated primarily to seek power. Hence, governments are self-interested and they strive to protect, and to extend their political reach. Governmental behaviour is often seen as a

response to maximise electoral loyalty. Further, different levels of government compete for power as evidenced by the competition between national and provincial interests. This competition is affected largely by regional diversity, and differential economic and power distribution across the federal system.

All three governments studied in this thesis are motivated by the desire to increase, or at least maintain, their political scope, and they all behave in ways that serve to consolidate their electoral support. Provincial-national competition is illustrated by the discord between the Alberta and federal governments' perceptions on jurisdiction prior to the proposal. Further, these two governments disagree about how the devolution agreement affects jurisdictional authority in labour market development. As reviewed earlier, Nova Scotia has long argued that national priorities have served to disadvantage provincial interests. Thus, competition between national and provincial interests are demonstrated by Nova Scotia's relative disadvantaged position in the Canadian federal state, and by its inability to accept devolution because of related capacity limitations, and the stringent federal requirements attached to the proposal.

Federal government of Canada

The decade between the mid- 1980s to mid- 1990s are characterised as turbulent years in the Canadian federation. Failed attempts at constitutional renewal and the Quebec referendum on sovereignty brought into question the stability and unity of the nation. Faced with a federal election in 1997 and criticism of status quo federalism, the Liberal government was under pressure to respond to the needs of Quebec and the rest of Canada. It was necessary for the federal government to demonstrate to the electorate that it could recover from the unity crisis, and that it could succeed in keeping the country together,

despite the failed Meech Lake and Charlottetown Accords, and the close loss of a 'yes' vote for Quebec sovereignty.

That the federal government's decision to make the proposal for devolution was influenced mainly by pressures to appease Quebec is strongly supported by most of the respondents in this study. Further, the political interest argument is given some weight because of the suggestion among Alberta respondents that the federal government wanted to sign with that province first to avoid looking as if the proposal was in response to demands coming from Quebec.

The lack of common knowledge among officials about the details of the proposal, and the fact that a clear policy framework to guide the negotiations was not in place from the beginning, suggests that the proposal was initiated from a very high political level. It was suggested that the devolution proposal was not a well thought out policy decision, because its initiation was not preceded by widespread consultation with civil servants.

Most of the respondents also support other political explanations such as demands for greater devolution from some provincial governments. These demands are related to long-standing constitutional and jurisdictional debates over labour market policy. Overall, the evidence suggests that the federal proposal for devolution was initiated by pressures on the federal government to respond to divergent provincial demands that challenge status quo federalism. The Liberal federal government was attempting to demonstrate that federalism, under its mandate and leadership, could respond to these divergent expectations.

Political interests are also evident in Alberta's position on devolution. The evidence as reviewed in Chapter 6 supports the thesis that political interests stemming from the province's jurisdictional perspective on labour market policy influenced Alberta's priorities and decisions on the federal proposal. The Alberta government was resistant towards federal intervention in active labour market policy development. For the province, the authority over labour market training has always fallen under the provincial realm. Alberta defends this position based on the view that labour market training is an extension of the province's exclusive jurisdiction over education.

This strong jurisdictional position is supported by Alberta's solid fiscal capacity to sustain a well-developed physical and policy infrastructure to incorporate the added authority and responsibility that would accompany devolution. Therefore, the option of co-management was not desirable from the provincial perspective. Yet, there is the suggestion that because of the fear of a loss of federal visibility, the federal position was at least to some extent favourable of this option.

The provincial government reacted strongly against what was perceived as unjustified federal intrusion, and constraints upon how the province approached the design and delivery of devolved labour market policies. This provincial drive to protect jurisdictional interests and expand its political scope over this policy area, vied with the federal stipulations in the accountability framework, and the federal concern over the loss of its visibility to the electorate.

Nova Scotia and Alberta's divergent experiences of federalism are reflected in the noticeably different views on devolution as expressed by these two provinces during the bilateral negotiations. Nova Scotia respondents stressed that their strong reliance on the federal government regarding labour market development, served to colour their overall approach to these negotiations. A lack of provincial capacity underlies this dependence on federal institutions and resources.

The province's inability to significantly invest in provincial labour market programmes, led to a deficiency in physical and human resources, and a dearth of policy expertise. Consequently, the province did not feel it was able to accept the federal conditions of the proposal, such as the requirement to hire about 100 federal employees who were to accompany the devolved responsibilities.

The province was extremely concerned that devolution would result in considerable political and fiscal costs for the Nova Scotia government. The effectiveness of EI Part II benefits and measures proposed for devolution was questioned. The concern was that these policies had limited ability to improve the employability of Nova Scotians.

This, coupled with the fact that the province feared that federal unilateral changes to EI legislation, or to the labour market agreement, would increase both fiscal costs and result in lesser electoral support, was of serious concern. The risks associated with devolution were too high, and therefore, an alternate model was created and adopted.

In sum, Nova Scotia's policy and fiscal limitations prohibited the province from meeting the federal requirements of a devolution agreement. Competition between federal and provincial interests are illustrated by the fact that Nova Scotia's dependency and capacity limitations were set against the federal conditions related to staff transfer, and expectations of federal savings as outlined in the accountability framework.

Influence of public interests

In summary, the public interest argument holds that governments are motivated primarily to expand or maintain the welfare of citizens. Therefore, decisions about the devolution of labour market policy are influenced by governments' prioritisation of public interests. As reviewed earlier, various definitions of the public interest infer that there are different approaches to meeting such goals.

For instance, to fulfil public interest objectives, governments attempt to balance divergent special public interests. Also, governments are guided to meet common interests among societal members. Lastly, public interests can be judged according to some type of standard, such as equality and human dignity.

Federal government of Canada

Evaluation of the evidence for public interest influences must take into consideration the fact that the official proposal supported the notion that a transfer of labour market authority and responsibility would improve policy outcomes for Canadians. Greater provincial involvement and control over local labour market policies would encourage effective policy outcomes. Yet, the extent of public interest influences on the federal

proposal for devolution is questionable. Besides stating its motivation to make programme improvements, the proposal prioritises federal government interests over public interests, because devolution is conditional to federal savings in the unemployment insurance fund.

Potentially, the proposal can be interpreted as a means to balance divergent interests among provinces. It could be seen as an attempt to offer something to Quebec, while also responding to demands of wealthy provinces for greater decentralisation. Yet, not all provinces in Canada made such demands. In fact, as observed in Nova Scotia's case, devolution was not viewed as an acceptable alternative. As reviewed earlier, some commentators hold that devolution can actually exacerbate the disadvantages experienced by poorer provinces, by degrading national standards and by discouraging redistribution (Armitage, 1996; Gibbins, 1997b).

It is suggested that the federal devolution proposal was mainly an attempt to appease Quebec and to make amends for the federal government's inadequate response to the unity crisis prior to the sovereignty referendum. Further, it is argued that the fact that wealthy provinces were also pushing for devolution helped to dissuade attention away from the presumption that the proposal was primarily in response to problems associated with Quebec.

Respondents offer very little support for the view that the devolution proposal was influenced by the federal government's desire to improve labour market policies and programmes for Canadians. Support for the notion that the federal government was motivated to reduce overlap and duplication between federal and provincial labour market

policies, and thus increase efficiencies, is far less than the support for ‘political interest’ explanations.

Alberta government

From the Alberta perspective, devolution would promote more effective and efficient policies than could be expected from former arrangements, where both levels of government were involved in labour market development policy. Alberta’s position was based on the perception that the provincial government is closer to citizens and the community, and therefore, the province is more knowledgeable about local labour market needs than the federal government. Accordingly, it is preferable for the province to respond to issues and challenges that are unique to the Alberta labour market.

· While strong support exists for the finding that Alberta was very much influenced by political interests pertaining to jurisdiction, public interests did, in part, influence that province’s position on devolution. Yet, the public interest was not always such a priority for the province. For example, and as discussed earlier, the province originally requested the devolution of EI Part I (the income benefit). However, the province shifted its position on this matter, partly because citizens responded negatively to recent reforms regarding this policy. It was suggested that the Alberta government was pleased that they were able to avoid problems related to Part I. Further, unlike Nova Scotia, in Alberta, the dispute concerning the federal accountability framework was founded less on principles of public interest, than on principles of jurisdiction. Alberta’s frustration with close federal monitoring and restraints placed upon this policy was more of an insult to their jurisdictional interests than to the interests of citizens.

For Nova Scotia, the accountability framework and the benefits and measures proposed for devolution under EI Part II had limited ability to improve the employability outcomes for citizens of that province. Also, even though the effectiveness of these policies was questioned, Nova Scotia perceived that better policy outcomes could be achieved for citizens if devolution was avoided.

Provincial capacity limitations impeded the development and implementation of an effective provincial labour market strategy. Thus, in comparison to what the province could achieve on its own, labour market policy outcomes could be improved under continued federal jurisdiction and provincial involvement by means of a strategic partnership.

Federal and provincial positions on devolution

As reviewed earlier, both federal and provincial levels of governments sought to maintain or increase their political power. Both levels of government acted to consolidate their electoral support. For instance, the federal government's proposal can be seen as an attempt to regain Quebec votes that might have been lost as a result of hard feelings over the referendum. In addition, based on its strong jurisdictional position, Alberta pushed for devolution and the concurrent extension of autonomy and power. Nova Scotia's position was influenced by perceived political costs, including electoral losses that could potentially accompany devolution. Consequently, federal and provincial positions on devolution were driven by similar political imperatives.

Also, both levels of government were affected by public interests, but to a lesser degree in the cases of the federal and Alberta governments. The evidence as presented in this thesis offers little support for the view that the federal government was influenced primarily by public interests. Public interest influences on Alberta and Nova Scotia's positions on devolution will be compared later in this chapter.

Circumstances that are unique to federal and provincial governments may also be relevant to this discussion. It is suggested that the federal government had the advantage of designing the devolution proposal to benefit itself, as demonstrated by the accountability framework. Although it is a contentious issue, this advantage stems from its official jurisdictional authority over unemployment insurance policies under both Part I and Part II of the EI Act.

Compared to the federal government, provinces had to build their positions on devolution based on the initial proposal. As agreements were negotiated bilaterally, provinces did not have the advantage of knowing how negotiations were progressing across the country. This brings to mind Alberta's rationale for arguing for the inclusion of an equality clause that would allow them to improve the agreement should subsequent LMDAs offer a province a particular advantage.

While friction between federal and provincial levels of government is evident in both provinces, there are notable differences. As evidenced by these case studies, the competing interests of nation-building and province-building are more overt in Alberta than they are in Nova Scotia. In Alberta, disagreement over jurisdiction was vigorously and openly debated by federal and provincial teams that were relatively equal in terms of policy expertise and self-confidence in their positions. Yet, in Nova Scotia, the

competition between nation-building and province-building was more covert than witnessed in Alberta. For instance, this competition between national and provincial interests was illustrated by the temporary provincial disinterest towards engaging in federal-provincial dialogue about the federal proposal. Also, the federal capacity and experience in designing and implementing labour market policies stands in stark comparison to the dearth of provincial expertise in this area. Consequently, even though more collaborative efforts are observed in Nova Scotia as compared to Alberta, provincial dependency facilitates this federal-provincial co-operation.

In sum, both levels of government were influenced primarily by political interests and to a lesser degree, by public interests. Further, federal jurisdiction over the EI Act allowed the proposal to be designed to extend political benefits to the federal government. In contrast, provinces were on the receiving end, as they had to develop their responses to the proposal within the restrictions of the federal accountability framework. Moreover, it is argued that compared to Alberta, the dynamics of federal-provincial competition are more covert in Nova Scotia. The next section of this chapter will compare and contrast the evidence for political and public interest influences on provincial positions on devolution, as represented by Alberta and Nova Scotia.

Comparison of provincial governments' positions

As described earlier, this thesis strives to understand why provincial governments either encourage or avoid devolution. Both Alberta and Nova Scotia were offered the same proposal for devolution, yet their responses differed significantly from each another. Comparing the two provincial stances on devolution should shed light on the similarities and differences that influenced these divergent provincial responses.

Public interests are expressed in similar and in different ways in the two provinces. For both provinces public interests were, in part, about issues related to effectiveness and efficiencies. For Alberta, policy effectiveness could be achieved through provincial control. Again, the province held that because of its superior understanding of local issues, it could make more effective decisions than those made by the federal government. Also, from the Alberta perspective, efficiencies would be gained if labour market development responsibilities fell under the jurisdiction of only one government. Hence, the removal of federal activity in labour market policy would succeed in reducing overlap and duplication of provincial and federal policies and programmes.

In contrast to Alberta, the issues in Nova Scotia related to efficiencies had to do with concerns over the lack of resources available to develop an adequate provincial labour market strategy. In addition, Nova Scotia's concerns about 'effectiveness' were reserved for the perceived limitations of federal policies under both Part I and Part II of the EI Act. Therefore, in contrast to Alberta, both political and public interest influences on Nova Scotia's position interact with that province's comparatively disadvantaged circumstances. The consequences of regional impediments, and related dependency issues, challenge an uncomplicated distinction of political and public interests in the case of Nova Scotia.

Comparing the two provinces, it appears that public interest influences are more significant in Nova Scotia than they are in Alberta. In Alberta, political interests are quite evident as the jurisdictional dynamic emerges as an overarching theme. This strong position on jurisdiction is reminiscent of the historical contentious relations between the federal and provincial levels of government. As in the case with energy policy, the

province of Alberta has no qualms that it is justified in its jurisdictional position on labour market policy.

This considerably bold and single-minded confidence regarding jurisdiction is severely lacking in the case of Nova Scotia. Rather, in Nova Scotia, the position on jurisdiction is affected by the lack of provincial capacity to initiate and sustain provincial activity in labour market development. Therefore, the devolution proposal induced a fearful provincial response in the anticipation that the federal government might abdicate its jurisdictional responsibility for labour market development. Compared to Alberta, it is possible that public interest influences are greater in Nova Scotia simply because public needs are more significant, and the capacity to respond to these interests is far less. Thus, when compared to Alberta, Nova Scotia's greater sensitivity to public interests is understandable.

Although differences are apparent, these two provinces also have some similar experiences of federalism and ensuing provincial-federal relations. Both provinces represent regional experiences that differ from the centre of Canada, namely Quebec and Ontario. As reviewed earlier, both provinces have pointed to the historical tendency of the federal government to favour political interests at the centre of Canada. Further, the long-standing perspective of both Alberta and Nova Scotia is that these advantages provided to central Canada have resulted in their relative economic and social disadvantages as experienced in the early 20th century.

Further, as the 20th century progressed, federal objectives to build the nation have had costs for both provinces. Nation-building has been pitted against province-building as observed in the failure of regional development strategies to revitalise Nova Scotia,

and in the national objectives that served to challenge Alberta's claims to jurisdiction over energy policy.

Yet, differences between the two provinces are quite significant for the findings in this thesis. Nova Scotia's lack of ability to fund its own labour market programmes stands in marked contrast with Alberta's capacity to initiate and maintain these programmes. What cannot be avoided is the fact that despite its lack of fiscal and policy ability in this policy area, Nova Scotia wanted to play a more significant role in these activities than they had in the past.

Nova Scotia was very vocal in its insistence that it had insights into the problems and barriers to improve the employability of Nova Scotia citizens. There was strong support for the notion that the design and establishment of a labour market approach for Nova Scotia had to respond to provincial social and economic realities through social development activities. This distinct provincial sensitivity about exactly how Nova Scotia's problems should be tackled indicates that the province may have avoided devolution largely because of its lack of fiscal and policy capacity. It is possible that if they had had the advantage of greater capacity, Nova Scotia may have accepted the devolution proposal.

As reviewed earlier, Cairns (1988) suggests that as provinces build their capacity, they work towards maintaining and extending their political reach. This can be seen in the case of Alberta. However, as mentioned earlier, even prior to its increase in wealth, the province identified itself as being unfairly disadvantaged by the federal system. For instance, Alberta felt that central Canada was built-up to the detriment of western growth

and prosperity. Yet, Alberta's ability to respond more forcefully to perceived nation-building at the expense of province-building became stronger beginning in the 1970s.

Also, as reviewed earlier, Cameron (1995) points to significant shifts in Alberta's approach to intergovernmental politics. In the 1980s, Alberta asserted a political agenda to affect changes at a national level in order to achieve greater provincial rights. Yet, Alberta's strategy shifted in the 1990s to pressuring the federal government to attend to perceived problems in the federation through promoting devolution. To broaden its power and political reach, Alberta pushed for greater autonomy through devolution. During the 1990s, Alberta strongly asserted its view on jurisdiction at intergovernmental forums.

As reviewed earlier, Savoie (1986) asserts that provinces like Nova Scotia face a quandary when an opportunity for devolution arises. If Nova Scotia perceives that its disadvantages are caused largely by federal policies that favour nation-building, they might prefer to promote devolution to gain control over the authorities and responsibilities necessary to make decisions that benefit their own economic interests.

Yet, in the case study investigated in this thesis, Nova Scotia lacked the necessary economic and policy capacity to design and implement labour market policies to extend political and public interests. As discussed, the province chose to refuse devolution because it could not maintain or improve these policies on its own. To safeguard political and public interests, the province refused devolution and chose to maintain status quo federal jurisdiction over provincial labour market development.

Conclusion

In this chapter, the evidence presented in the thesis was analysed to evaluate the extent to which governmental positions on devolution are influenced by political and public interests. The analysis of the evidence from the three case studies concluded that both political and public interests influenced the devolution proposal. Yet, support for public interest influences was less than such support for political interest explanations.

In comparing these influences among federal and provincial governments, it was suggested that political interests dominate in all three cases but that public interests are more apparent in the case of Nova Scotia. In comparison to Alberta, the saliency of political and public interest influences on Nova Scotia's position result from that province's relatively disadvantaged status in the Canadian federal system.

In conclusion, the evidence of this research does not support the proposition that devolution is a viable choice for all provinces. Devolution may be considered beneficial for fiscally independent provinces that desire greater control over policy and correspondingly less control for the federal government. However, provinces may not be able to readily benefit from devolution if they are financially disadvantaged and reliant upon federal assistance. Provinces that lack fiscal resources and both administrative and policy infrastructure, may perceive fewer benefits in devolution. Nevertheless, the evidence does support the notion that federal-provincial agreements can create opportunity for provinces that lack capacity to participate more fully in labour market development through collaborative arrangements, while avoiding many of the burdens and risks associated with devolution.

The evidence supports the view that because of the lack of capacity that results in the inability of some provinces to independently fulfil policy roles and responsibilities, the significance of the federal government's involvement in labour market training should not be discounted. To be clear, federal involvement must ensure a measure of equity among provincial policies and programmes. It is recognised that federal decisions have resulted in decreased provincial capacity to meet citizens' needs. For example, the federal decision to replace the Canada Assistance Programme with the Canadian Health and Social Transfer in 1996 imposed severe cut backs to programme funding that resulted in particularly harsh conditions in poorer provinces such as Nova Scotia (MacDonald, 1998).

Because devolution was not a viable solution from the Nova Scotia perspective, this research questions the proposition that devolution should be held up as the only choice when responding to challenges to federalism and to demands from provinces for greater responsibility over policy. It is suggested that it is necessary to closely examine the reasons why some provinces desire devolution while others do not.

The next and final chapter will present an overview of the thesis and will examine the relevance of the main findings for different interpretations of 'provincial rights'. In addition, to place the findings of this thesis in comparative context, chapter 9 will briefly discuss the recent devolution that has occurred in the United Kingdom.

Chapter 9

Conclusion: Devolution in Canada and Divergent Perspectives of Provincial Rights

Introduction

This chapter will address the purpose and plan of the study undertaken by reviewing the significance of each chapter presented in this thesis. Further, this chapter will discuss the implications of the findings of this thesis for the concept of ‘provincial rights’. Also, commented upon in this concluding chapter, is the relevance of this study’s findings for federal and provincial roles and responsibilities concerning matters of national importance. Lastly, this chapter will offer a brief comparative of the United Kingdom’s recent experiences with devolution and Canadian devolution, as illustrated by the cases examined in this thesis. A comparative understanding of the impact of devolutionary processes on governance will help to examine the relevance of the findings in this thesis for devolution in other jurisdictions.

Overview of the thesis

The earlier chapters examined theoretical concepts and historical information, while the latter chapters dealt more specifically with matters related to the case studies investigated in this thesis. The chapters presented early in this thesis highlighted the significance of historical contexts pertaining to the establishment of the Canadian federal system, and the ongoing development of federal-provincial relations. The latter chapters examined the influences of decisions made about the case study of devolution by the federal, Alberta,

and Nova Scotia governments, respectively. It was argued in the case study chapters that governments' decisions on devolution occur within a historical context and are founded on patterns of cultural and political experiences.

Chapter 1 introduced the subject of this thesis and reviewed the central research questions to be investigated. It was established that this thesis was pursuing an examination of the influences on decisions made about the devolution of labour market policies by federal and provincial governments in Canada in the mid- 1990s. This thesis sought to understand whether or not federal and provincial positions on devolution were driven by similar motivations and priorities.

Further, this research sought knowledge about the reasons why different provincial governments would either encourage or avoid devolution. It was noted that the research was going to investigate the extent to which federal and provincial governments' positions on the devolution of policy were influenced by political interests and to what extent were they influenced by public interests.

In Chapter 2, the theoretical concepts related to the political interest and public interest arguments were examined. This chapter explained that the political interest argument holds that governments are influenced primarily by the drive to seek and maintain power as they make decisions about the devolution of policy. Moreover, governments are motivated by self-preservation as they seek out electoral support, and compete with each other to sustain and extend their political reach. It was argued that competition among governments is affected by regional diversity, and unequal power and economic distribution among provincial jurisdictions.

Further, it was explained that the public interest argument supports the notion that governments make decisions about devolution based on the best interests of citizens, though it was recognised at the outset that defining ‘best interests’ or ‘the public interest’ is highly problematic. It was stated that public interests are viewed as attempts to balance divergent special public interests, and to meet citizens’ universal interests, and are judged according to particular standards. As decentralisation and devolution are largely affected by the characteristics of federalism, the chapter offered a historical overview, and examined some of the principles that influence the contemporary debate about the Canadian federal system.

Prior to reviewing the case study of devolution investigated in this thesis, Chapter 3 examined the concept of decentralisation. To facilitate examination of the case study, Chapter 3 examined definitions pertaining to decentralisation and devolution. The extent of decentralisation in Canada in comparison with other federal systems was examined. Based on this assessment it was argued that Canada is representative of a relatively decentralised federation. Also, to increase insight about why federal and provincial governments might encourage or avoid devolutionary arrangements, the chapter examined the debate about the relative merits of decentralisation and devolution. Various explanations were offered. It was suggested that divergent perspectives concerning which level of government has responsibility for national concerns, and how decentralisation affects policy outcomes serve to influence governments’ decisions on devolution.

Methodological considerations were examined in Chapter 4. This study utilised a qualitative and interpretive research focus. Twenty-four interviews were conducted with respondents, three of which were elected officials who were interviewed early in the study to provide some introductory and background knowledge pertaining to the

motivations of governments in relation to devolution. Twenty-one respondents interviewed in this study are civil servants who represent federal and provincial jurisdictions in Alberta and Nova Scotia. The civil servants who were interviewed are knowledgeable about the federal proposal for devolution, and most were directly involved in negotiating the labour market agreements for their respective provinces.

Chapter 4 discussed pertinent issues related to methodology including the case study approach, field research, and sampling and recruitment strategies. The instrument employed in this study and the procedures that were followed to collect data were described. Issues related to informed consent and other ethical considerations were also discussed. Limitations pertaining to the methodology were noted including the fact that only two provinces were examined, and the sample relied mainly on civil servants.

Chapter 5 examined the rationale for the federal proposal and explored the pressures that faced the federal government during this time period. Status quo federalism including the arrangements between the two levels of government underwent serious criticism, and served to pressure the federal government to respond. It was suggested that prior to the official proposal, the federal government was strongly influenced by constitutional discord, the unity crisis and Quebec, and provincial demands for greater devolution. In fact, it was argued in this chapter that the federal devolution proposal was a response primarily to the unity crisis invoked by the Quebec referendum, and provincial calls for both jurisdictional clarification and realignment concerning a number of policy files, including labour market policy.

Chapter 6 examined the political and public interest influences of the province of Alberta's response to the federal proposal. It was noted that while political interests were

strongly represented in the case study, public interests were also evident. However, it was suggested that the public interest argument was not strongly supported by the evidence. Furthermore, it may be the case that public interests were asserted in defence of the strong provincial position on jurisdiction. Yet, it is acknowledged that political and public interest influences overlap. Chapter 6 concludes that in the Alberta case study, though political interests appear greater, governmental positions are influenced by both political and policy interests.

In Chapter 7 the influences on Nova Scotia's position on devolution were examined. This chapter discussed the reasons why Nova Scotia turned down the proposal for devolution and chose instead an agreement that maintains federal responsibility and leadership in provincial labour market policy. Nova Scotia's strong position against devolution was influenced by the desire to avoid negative fiscal and political costs. In addition, Nova Scotia was also influenced by its perceived inability to improve labour market policy for citizens. Both political interests and public interests influenced the provincial position on devolution. Nova Scotia's lack of capacity to achieve effective and provincially determined policy outcomes is convoluted by the province's dependency on the federal government. It was argued in Chapter 7 that Nova Scotia's response to the federal proposal was determined primarily by its fiscal and social disadvantages in the Canadian federal state.

In Chapter 8, a comparative analysis of the evidence was presented. This chapter compared and contrasted the influences on each government's position on devolution. In this chapter, the evidence was analysed to evaluate the extent to which governmental positions on devolution are influenced by political and public interests. It was argued that according to the evidence from the three case studies, both political and public interests

influenced the devolution proposal. However, the evidence tips the scales towards a political interest explanation much more clearly and convincingly than a public interest interpretation, in whatever ways the latter concept is defined. But while political influences on devolution proposals and policies weigh heavily in the argument, in the case of Nova Scotia this broad conclusion must be tempered by the finding that public interests had a clearly significant, almost equal role to play.

What this case study showed is while political and public interests might be separated analytically, in real cases of policy-making they overlap. Also, the Nova Scotia case seems to suggest that it would be very difficult for purely political pressures and motivations concerning devolution plans to win out against public interests, especially in provinces or devolved administrations that are very dependent, economically, on the centre.

Provincial rights

The findings in this study suggest competing views of provincial rights. An examination of the evidence from a 'provincial rights' perspective reveals two very different provincial interpretations. The investigations of the Alberta and Nova Scotia case studies as reviewed in this thesis, finds that both governments asserted positions that encourage and push for 'provincial rights'. Yet, the definition of 'rights' differs substantially between the two provinces. For Alberta, provincial rights are furthered by greater autonomy through devolution. Alberta's position on devolution results, in part, from its view of the appropriate federal role in labour market development policy. In the Alberta case study, the presence of federal activity in this policy area is interpreted as federal interference in matters of provincial jurisdiction.

Alberta's perception of provincial rights contrasts with Nova Scotia, where 'rights' are advanced through equitable access to resources through the redistribution of wealth across provinces in the Canadian federation. For Nova Scotia, the lack of federal involvement is perceived as a loss that could result in both political costs for the province, and could lead to less opportunity for Nova Scotians to fulfil their labour market development needs. Like Alberta, Nova Scotia's interpretation is related to its view of the appropriate federal role in this policy area. In the Nova Scotia case study, the federal government must play a significant role in labour market development in order for the province to achieve its expectations of 'provincial rights'.

As reviewed earlier, the political interest argument in this thesis suggests that governmental behaviour is motivated in part by self-preservation. Yet, as illustrated in this study, 'self-preservation' is interpreted and realised differently among wealthier and poorer provinces. Alberta's interpretation of rights as greater 'autonomy', and Nova Scotia's view of 'equity' as representative of provincial rights, illustrates the difficulty in initiating symmetrical policies among provinces with divergent experiences of federalism. The case studies in this thesis point to the challenge of federalism to balance 'autonomy' and 'equity'.

As noted earlier, Gibbins' (1997b) holds that because the goal of decentralisation is policy asymmetry among provinces, standards or rules to assure symmetry of outcomes contradict with the rationality of decentralisation. With respect to provincial rights for equity, Gibbins' (1997b) concerns about how decentralisation serves to undermine objectives of pan Canada equity seem relevant. The fulfilment of provincial rights to autonomy may encourage asymmetrical policy outcomes that exacerbate disproportionate provincial levels of economic stability and social well-being. Consequently, greater

symmetry or 'equity' in policy outcome is antithetical to an asymmetrical approach to federalism that defends provincial autonomy.

The results of this study that support the existence of disparate interpretations from the provincial perspective of 'rights' within the Canadian federal system have implications for the appropriate federal and provincial roles and responsibilities on matters of national concern. As discussed earlier, there is a debate over which level of government should be responsible to deal with issues of national importance. As mentioned earlier, it may be the case that a strict focus on provincial autonomy will evade attempts to ensure equitable distribution of wealth and policy resources. The findings of this thesis provide some support for Kennett's (1998: 15) notion that it is a 'heroic assumption' that provinces are capable and willing to reach consensus on and develop national public policies.

In a similar vein, this thesis has shed doubt on the possibility of achieving inter-provincial consensus on the devolution of labour market policy and the appropriate accompanying role for the federal government. If continued federal involvement in Nova Scotia's labour market policy or in the maintenance of national standards threatens in any way Alberta's perception of its autonomy, then consensus would surely be unachievable. Likewise, provincial support would not be unanimous for an approach that seeks to extend provincial autonomy and discourage federally monitored national standards to protect some measure of equity in resources and policy outcomes.

However, as also illustrated in this thesis, federal government actions do not always uphold and guarantee pan Canadian equity. Furthermore, the competition between national and provincial interests has hindered the achievement of equitable

redistribution of Canada's fiscal and policy resources across all provinces in the federation. As illustrated in this thesis, such political struggles tend to impede or at the very least dilute governmental objectives that are dedicated to realise pan Canadian public interests.

Comparative of devolution in the United Kingdom and Canada

Commentators such as Salmon (2001) note that over the last decade both Canada and the U.K. have experienced significant shifts in governance that test and stretch static interpretations and definitions of federal and unitary states. This thesis supports Salmon's (2001: 187) contention that Canada's federal system is in a 'fluid state' as a result of constitutional debates and deliberations about the 'appropriate locus of political decision making'.

As discussed earlier in this thesis, recent changes in the U.K. challenge interpretations of unitary states that emphasise the supposed domination of one central government reigning supreme over sub-national governments. The substantial devolution that has unfolded in the U.K. with the establishment of the Scottish Parliament, the Welsh Assembly, and the Northern Ireland Assembly illustrates the overgeneralisation of the inference of 'supreme reign'. Further, Salmon (2001: 187) holds that the U.K. is experiencing a transformation in governance as the devolution that has taken place in that country has resulted in a 'certain "messiness" in seeking to come to definite statements about where constitutional and political power lies'.

Devolution in the U.K. provides the means for greater regional participation in the policy-making process. According to Morgan (2001), following hundreds of years of

being ‘patronized and tolerated by their English neighbours’ Scotland and Wales are playing lead roles in defining the future of Britain. In Canada, the devolution that led to the LMDAs succeeded in increasing autonomy and greater decision-making authority concerning labour market policy, especially among those jurisdictions that opted for full transfer of responsibilities.

According to McEwen (2001: 97), though the Scottish Parliament provides the opportunity for the expression of ‘Scottish distinctiveness’ in the development of public policies, the convergence between the current regional executive and central governments’ perspectives on policy priorities serves to stymie regional autonomy. Further, while Scottish Parliament has control over distributive and regulatory power, Westminster’s power over redistribution has encouraged a ‘continued dependence upon central government’ as illustrated by the Scottish Executive’s approach to poverty, for example (McEwen, 2001). Similarly, in Canada, provinces are reliant upon federal fiscal transfers and are vulnerable to federal fiscal restraint and the federal spending power. Further, as is the case in the U.K., the Canadian federal proposal for devolution illustrated the federal government’s intention to retain control and authority over important policy-making decisions that have the potential to impinge upon provincial autonomy. Political interests of the central governments’ in both countries are extended through control over the redistribution of resources.

Moreover, devolution is affecting shifts in the conceptions of citizenship and regional and national identities in both the U.K. (Morgan, 2001; McEwan, 2001) and Canada (Segal, 2001; Jenson, 2001). In both countries, the redefinition of regional, provincial, and national identities is influenced largely by perceptions about the exclusivity of identity (Salmon, 2001). The extent to which citizens distinguish and meld

their Scottish-British and Alberta-Canadian identities, for example, will affect the relative strength of loyalty to one or the other.

Morgan (2001) suggests that devolution in the U.K. has unearthed a weakening British nationalism and has provoked an identity crisis among the English. This resonates with the Canadian unity crisis and English Canada's determination to avoid any special treatment of Quebec perhaps, in part, for the fear that this would threaten long held beliefs among the English about what it means to be Canadian. Yet, it could be argued that English Canada simply refused to engage in an 'identity dilemma', and chose instead to vilify the suggestions of asymmetrical federalism and the recognition of a special status for the province of Quebec. It is probably the case that Quebec's desire for its position in the Canadian federation to be perceived as 'distinct' is much misunderstood in English Canada.

That devolution was the adopted federal strategy to pacify Quebec without insulting the integrity of English Canadian identity is an interesting comparison with the U.K., where devolution, in part, appeased regional calls for greater authority and autonomy, yet challenged the definition of Britishness. This does not imply that the concept of citizenship has remained unscathed in Canada. However, because this case of Canadian devolution offered enhanced autonomy to all jurisdictions, the federal government was able to avoid the perception and ensuing repercussions of extending special rights to a single jurisdiction.

Yet, as illustrated in this thesis, though the devolution of labour market policies secured the perception of 'symmetry' it actually resulted in 'asymmetry' largely because of the uneven distribution of fiscal and policy strength among jurisdictions. Divergent

provincial expectations of federalism and of provincial rights to autonomy and equity are mirrored in the different choices about devolution. Perhaps Canadian and provincial identities may be inferred from these divergent and competing expectations of federalism and provincial rights.

Commentators on devolution in the U.K. also point to the implications of devolution for richer and poorer sub-national administrations. Quigley (2001) argues that in the U.K., convergence between richer and poorer regions should be accomplished through planned and supported growth in regional wealth in poorer regions rather than through transfers from the central government. Yet, the lack of ability among regions to manoeuvre monetary and fiscal policy levers could undermine such goals. Quigley (2001) remarks:

There could be considerable frustration if the devolved institutions and the regions believe themselves to be performing effectively in the areas that are within their control and perceive their efforts to be frustrated or shed by the ineffectiveness of national policy.
(Quigley, 2001: 168)

According to Quigley (2001), national policy must respond to the concerns faced by regions and encourage and strengthen regional endeavours to enhance social capital and regional economic development. This brings to mind Nova Scotia's disappointed expectations of the federal government in Canada. The divided sovereignty inherent in Canadian federalism has not resulted in national policies that have been successful in reinforcing the efforts of poorer regions, such as Atlantic Canada, to strengthen their economies, and to enhance their autonomy and capacity to act independently of federal control. Time will tell if devolution in the U.K. will result in more favourable economic conditions for poorer regions than has been achieved by Canadian federalism.

Conclusion

This chapter presented a general survey of this thesis. The thesis overview summarised the main findings and argued that the devolution of governmental power and authority, as illustrated by this Canadian case study, was driven primarily, but not solely by political interests. Further, it was suggested that public interest influences, while subordinate in the case studies of the federal and Alberta governments, were near equivalent to political interest influences in the case of Nova Scotia.

The implications of the main findings for the concept of provincial rights were also examined in this chapter. As reviewed earlier, Alberta and Nova Scotia's very different priorities and positions on devolution suggest a distinct divide in perceptions on how provincial rights are defined and realised. The findings of the investigation undertaken in this thesis serve to highlight divergent perceptions of provincial rights that are based on 'autonomy' and 'equity'. For Alberta, devolution was accepted because it fostered greater provincial autonomy and control. However, in comparison with Alberta, Nova Scotia avoided devolution because of concerns over perceived political and public interest losses.

Nova Scotia's interpretation of provincial rights is more strongly connected to the promotion of equity across all provinces in the federation, rather than with safeguarding autonomy over labour market development for individual provinces. In contrast, Alberta's interpretation of these rights has more to do with greater provincial control and autonomy in the development of labour market policies, rather than securing a measure of equity concerning labour market opportunities among citizens in all Canadian provinces.

Lastly, to place Canada in comparative context the chapter offered a brief discussion on the relevance of the findings in this thesis for some of the processes of devolution that are unfolding in the United Kingdom. Canadian and British experiences with devolution exemplify the contemporary evolving nature of governance that serves to challenge traditional definitions of federal and unitary states. In both the U.K. and Canada, the extent to which devolution encourages regional and provincial autonomy is tempered by central political control over the redistribution of resources and by the relative wealth of sub-national governments. Moreover, in both countries, devolutionary processes are shedding light on shifting perceptions of national and sub-national identities.

APPENDICES

Appendix A Interview Schedule for Respondents

Appendix B The Consent Form

Appendix A

Interview Schedule for Respondents

Rationale and Context

- I. Why did the federal government make the proposal for devolution? What factors influenced the federal proposal to devolve employment policies?
- II. What was actually proposed for devolution?
- III. What was the range of options/models made available to the provinces?
- IV. From the respective provincial and federal perspectives what was to be gained and lost by any potential devolution? What were the costs-benefits for each level of government?
- V. Are you aware of any individuals or groups who disagreed with the choice to devolve employment programmes from the federal to provincial governments?
 - A. If so, what were their objections and how did they rationalise their positions?

Process Issues Related to the Development of the LMDA

- VI. How was the proposal initiated? Who was involved in initiating the overall process?
- VII. What were the terms of reference for the negotiations? For those given the responsibility to negotiate this agreement– what decisions had to be made?
- VIII. Can you recommend any documentation (meeting minutes; briefs/reports etc.) that outlines the overall objectives of the negotiations, including the choices and decisions that had to be made, and alternative scenarios to be considered?
- IX. Were some issues more difficult to negotiate than others?
- X. Was part I of the EI act, (The income benefits) on the table?

Federal and Provincial Attitudes, Priorities and Positions on Devolution and the LMDA

- XI. What were the issues that were most important to the province?
 - A. Was the federal government yielding in these matters?
- XII. Please describe the chosen model for the LMDA
- XIII. Why was this model chosen over the alternate one(s)?

- XIV. Did other options exist apart from the full transfer and co-management models?
- XV. What were the advantages and disadvantages of both the full transfer and co-management models for the federal government?
- XVI. What were the advantages and disadvantages of both the full transfer and co-management models for the province?
- XVII. Please comment on the level of consensus between the federal provincial governments about the chosen model/structure.
- XVIII. With respect to the terms of the agreement overall - to what degree were both governments satisfied with the final draft?
 - A. Did the province get what it wanted?
 - B. Did the federal government get what it wanted?
- XIX. Could you comment on why some provinces may argue for models of devolution that result in greater or lesser provincial authority and responsibility than others?

Lessons Learned

- XX. What has been learned as a result of this experience?
 - A. Should we promote or avoid further devolution?
- XXI. Will some provinces benefit more than others within a more decentralised Canada?

Appendix B

Consent Form

Research Topic: Devolution in Canada
Researcher: Erin Gray BSW, MSW, PhD candidate (University of Wales Swansea) RSW (AB).
#444, 11044-82 Ave. Edmonton AB. T6G 0T2
(780) 492-0405
Research Supervisor: Dr. Ken Blakemore, University of Wales Swansea
Singleton Park, Swansea, UK. SA2 8PP
01792 295760

This consent form, a copy of which has been given to you, is part of the process of informed consent. It should give you the basic idea of what the research is about and what your participation will involve. If you would like more detail about something mentioned here, or information not included here, you should feel free to ask. Please take the time to read this carefully and to understand any accompanying information.

This research is conducted in part to fulfil PhD requirements of the researcher's programme of study. In relation to devolution, the study explores the *December 1996, Canada-Alberta Agreement on Labour Market Development* and the *April 1997, Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships*.

You have been asked to contribute to the study based on your knowledge of the subject area. You have identified yourself as someone with knowledge about the *December, 1996 Canada- Alberta Agreement on Labour Market Development* or the *April 1997, Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships*.

You will be asked a series of questions regarding the subject area and your responses will be tape-recorded. Your responses will be transcribed for analysis. Written and tape-recorded responses will be housed at Erin Gray's address as noted above. Upon completion of the study your responses may be retained for potential future data analyses.

As a participant of the study your contributions will be identified as: a federal/provincial civil servant involved in &/or knowledgeable about the development and negotiations of the Canada-Alberta Labour Market Development Agreement or the Canada-Nova Scotia Agreement on a Framework for Strategic Partnerships

Your involvement in this study is voluntary. Your signature on this form indicates that you have understood to your satisfaction the information regarding participation in the study and agree to participate as a subject. You are free to withdraw from the study at any time. Please feel free to contact Erin Gray or Ken Blakemore at the addresses and phone numbers as outlined above, should you have questions concerning matters related to this research.

Your participation is very much appreciated.

Participant's Signature _____ Date _____

Researcher _____ Date _____

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